



2015

2015 Environmental and Social Report
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Corporate Mission Statement

The Group strictly complies with all laws and regulations, conducts fair business practices and contributes to people's daily lives as well as to the advancement of industry and society by providing key materials and technologies.

Basic CSR Policy

The Shin-Etsu Group:

- 1 Will do our best to increase the Group's corporate value through sustained growth and make multifaceted contributions to society.
- 2 Will carry out all of our company activities by making safety always our utmost priority.
- 3 Will constantly pursue energy-saving, resources-saving and the reduction of the environmental impact, and seek to help create a sustainable future world in which we all live in harmony with the Earth.
- 4 Will endeavor to contribute to the prevention of global warming and the conservation of biodiversity by means of our cutting-edge technologies and products.
- 5 Will strive to respect human dignity, assure equality in employment opportunities and support the self-fulfillment of our employees.
- 6 Will appropriately disclose information in a timely manner.
- 7 Will carry out trustworthy corporate activities that are based on the integrity of the Group's ethical values.

Upholding the Global Compact Ten Principles

The Shin-Etsu Group joined the United Nations Global Compact (UNGC) in November 2010. The Group upholds the ten principles advanced by the UNGC in the four areas of human rights, labor, environment and anti-corruption.

The Global Compact asks that businesses should:

- Principle 1: Support and respect the protection of internationally proclaimed human rights
- Principle 2: Make sure they are not complicit in human rights abuses
- Principle 3: Uphold the freedom of association and the effective recognition of the right to collective bargaining
- Principle 4: Uphold the elimination of all forms of forced and compulsory labour
- Principle 5: Uphold the effective abolition of child labour

- Principle 6: Uphold the elimination of discrimination in respect of employment and occupation
- Principle 7: Support a precautionary approach to environmental challenges
- Principle 8: Undertake initiatives to promote greater environmental responsibility
- Principle 9: Encourage the development and diffusion of environmentally friendly technologies
- Principle 10: Work against corruption in all its forms, including extortion and bribery



Editorial Policy

The Environmental and Social Report provides information on environmental, safety and quality control programs and CSR initiatives carried out by the Shin-Etsu Group. The Report also serves as a report of our Responsible Care programs¹. The Report has been compiled in accordance with *the Environmental Accounting Guidelines 2005* and *Environmental Reporting Guidelines FY2012* released by the Ministry of the Environment, Japan, and *the GRI Sustainability Reporting Guidelines*.

Period Covered by the Report (indicated where otherwise)

Japan: April 1, 2014 to March 31, 2015
Overseas: January 1, 2014 to December 31, 2014

Organizations Covered by the Report

The report covers the 146 companies of the Shin-Etsu Group. The range of entities from which data were collected is in principle as stated below. Where otherwise, this is indicated in a separate note.

(1) Environmental Activity Report

The report includes data from the 124 companies of the Shin-Etsu Group. Compared with the coverage of the 2014 report, there is thus an expansion in scope and a difference in content.

- 67 manufacturing bases in Japan (increase of 4)
- 122 non-manufacturing bases in Japan (increase of 8)
- 47 overseas manufacturing bases (increase of 1)
- 57 overseas non-manufacturing bases

(2) Environmental Accounting

Shin-Etsu Chemical Co., Ltd.

(3) Management Structures, Relations with Society

Shin-Etsu Group, except for the Shin-Etsu Polymer Group²

1 Responsible Care program

A campaign encouraging enterprises that handle chemical substances to voluntarily ensure protection of the environment, safety and health in all processes, from the development of chemical substances through manufacture, distribution and utilization to final consumption, disposal or recycling, to publish the results of their activity, and to engage in dialog and communication with society.

² For a report on the Shin-Etsu Polymer Group, see "Shin-Etsu Polymer Sustainability Report 2015" (to be published at end of September 2015).



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* CSR (Corporate Social Responsibility)

The idea that enterprise, rather than concentrating solely on profit, need to value their relationships with a wide range of stakeholders in the conduct of their business.

We will continue to sincerely strive to further build up relationships of trust with our stakeholders around the world and work to contribute to the development of society through our key materials and technologies

Together with society

The Shin-Etsu Group aims to contribute to society's development by providing products and technologies that support people's lives and the advancement of industry. To realize these management objectives, our basic policy is to place utmost priority on safety and strictly comply with all laws and regulations, and proactively address important global social issues that society faces such as environmental conservation. We are making concerted efforts to meet the challenge of continuing at all times to grow our business together with society.

Safety is our top priority

The issue that is the utmost priority at our manufacturing sites is assuring safety-first in all operations. When we newly design facilities or carry out facility renovation projects, we incorporate methods for making safety assessments. In the manufacturing process, we set up operation work procedures to assure safety, and we make sure to thoroughly conduct all work in complete accordance with these safety procedures. In addition, we continuously work to improve our production technologies and upgrade our facilities, and at the same time, by moving ahead with the improvement of work procedures and the revision of work manuals, we strive to achieve a safe work environment. As one example of these safety efforts, we regularly collect information about experiences in which employees have felt the risk of a possible accidents occurring in the workplace. We disseminate to all Board Members and employees information about these reported "close-call incidents" and the improvement measures that the company is putting in place to prevent any future accidents. Furthermore, we also make this same information available to the general public on Shin-Etsu's website. We are focusing our all-out efforts on preventing accidents through these activities. We constantly endeavor to identify potential risks in the workplace and address them early on by swiftly acting to implement steps to rectify the situation.

Approaches to protecting the environment, conserving resources

• **Promoting environmental conservation and reducing the environmental impact**

As we develop and improve the Shin-Etsu Group's production technologies, we carefully take into consideration environmental performance. The Technology Committee conducts studies and takes a leading role in guiding these efforts in the Shin-Etsu Group. In addition, not only do we endeavor to reduce the environmental impact in the manufacturing process, but we also make consideration for reducing it right up to the stage where products are used and disposed of. Specifically, we perform quantitative analysis of our Group's emissions from the receiving of raw materials, through the manufacturing process and further to the disposal of final products, so that we comprehensively work to reduce greenhouse gas emissions.

• **Conserving resources and protecting biodiversity**

The Shin-Etsu Group constantly continues our efforts to carefully use the Earth's limited resources. To realize this objective, we are focusing on making more effective use of resources and energy saving when improving both our production technologies and products. In addition, in all our business activities we take into consideration what we can do to promote the conservation of the global environment and biodiversity.

Practicing fair and highly transparent management

In order to realize management that is fair and highly transparent, we are continuously strengthening our internal control and audit system. In addition, we continue to make strong efforts to appropriately disclose important management information to the public in a timely fashion and are conducting strict operation of our system of internal controls. To further assure a steadfast internal control system, we have Outside Directors and Outside Audit & Supervisory Board Members who have deep insight and a wealth of business experience and knowledge, and provide advice and supervision of management from an objective and independent standpoint. Moreover, our Auditing Department, an independent organization directly reporting to the President, has the authority to enforce a strict and fair auditing system.

Strengthening our business continuity foundation

The stable supply of our products to our customers is an important mission of the Shin-Etsu Group as we manufacture and deliver to customers many products that possess very large shares in the global market, such as PVC and semiconductor silicon wafers. We are working to prepare in advance for such unforeseeable contingencies as natural disasters. In this context, we are continuing to move forward with our strategy of geographically dispersing our production bases and diversifying our sources of raw materials procurement.

Supporting the Responsible Care® initiative and United Nations Global Charter

Declaring its strong support, the Shin-Etsu Group signed and put into practice the Responsible Care Global Charter of the International Council of Chemical Associations (ICCA) in 2006. Furthermore, in 2014 we signed the revised Responsible Care Global Charter. In 2010, the Shin-Etsu Group became a participant in the United Nations Global Compact (UNGC) and has been voluntarily supporting and practicing in its business operations and strategies the UNGC's Ten Principles with regard to human rights, labor standards, the environment and the prevention of corruption. These principles are all in line with the Shin-Etsu Group's corporate mission and basic CSR (corporate social responsibility) policies. Going forward, the Shin-Etsu Group will continue to uphold this initiative and charter and will endeavor to build even stronger relationships of trust with people around the world.

Helping solve social issues and contributing to local communities

The Shin-Etsu Group hopes to contribute through its products and technologies to the solution of various important issues that the world is facing. The companies of the Shin-Etsu Group and their employees are carrying out many different kinds of social contribution activities in their local communities around the world. One example of such activities is the case of Shintech in the U.S., which is making a great contribution to the U.S. economy. Many Shintech employees are actively participating in the activities of a number of non-profit charitable organizations, and are deepening relationships of trust with the local communities in which it operates.

In recent years as societies become more complex and diversified, the responsibilities of business corporations to society are becoming greater. In the future as well, the Shin-Etsu Group will sincerely and proactively respond to requests from society and will continually make vigorous efforts to steadily carry out its corporate social responsibilities as a good corporate citizen.

Going forward, we will continue to sincerely strive to further build up relationships of trust with our shareholders, investors, customers, business partners and people in local communities around the world. We would like to ask for your continued support in the coming years.

June 2015



C. Kanagawa

Chihiro Kanagawa
Chairman



Shunzo Mori

Shunzo Mori
President

Contributing to the development of society through the products, sales force, production technology, and development capability

As of March 31, 2015, the Shin-Etsu Group comprises Shin-Etsu Chemical and 145 Group companies, which share responsibility for sales, manufacturing and other operations and cooperate to develop their respective business activities.

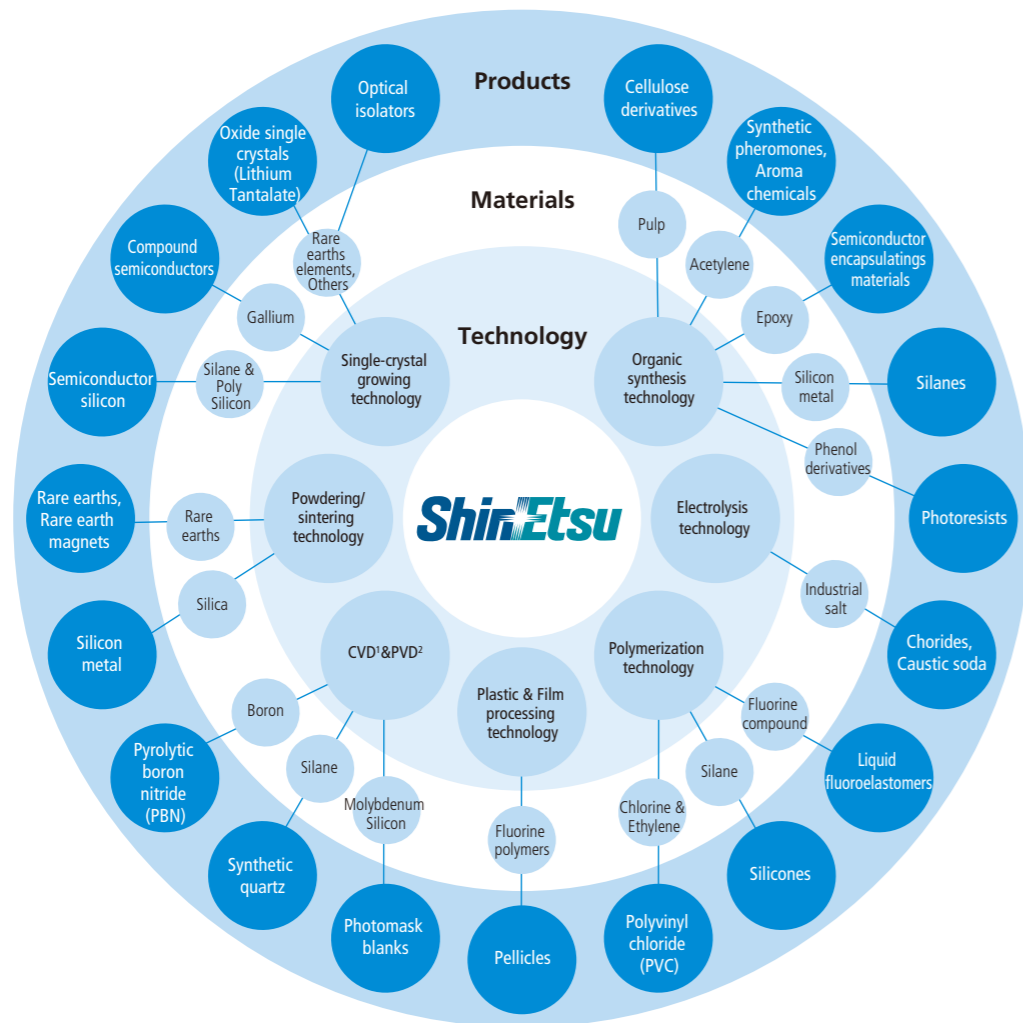
These business activities are divided into six segments: PVC/Chlor-Alkali Business; Silicones Business; Specialty Chemicals Business; Semiconductor

Silicon Business; Electronics and Functional Materials Business; and Diversified Business. In each of these fields, we have products with strong market share, with the world's top share in polyvinyl chloride (PVC), semiconductor silicones, photomask substrates for LCDs, and the top domestic share for silicones.

Shin-Etsu products are a familiar part of our everyday lives and they play an essential role in society.

Technology, Materials, Products Chart

Outstanding materials come from outstanding technology. The Shin-Etsu Group evolve into a variety of sophisticated technologies developed in the process of creating products that meet ever advancing and diversifying needs.



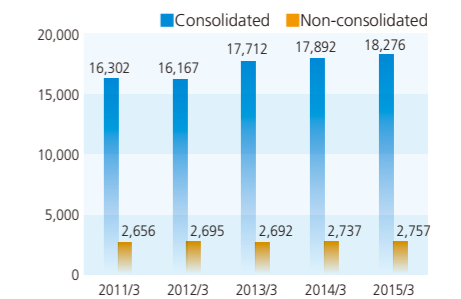
1 Chemical Vapor Deposition (CVD)
A method for depositing thin films onto a substrate, involving gas energized by thermal, optical, or electromagnetic radiation to cause excitation or decomposition, and involving steps such as attraction, reaction, and dissociation.
2 Physical Vapor Deposition (PVD)
A method for depositing thin material films onto a substrate, using originally solid substances vaporized by thermal or plasma energy.

Corporate Overview

Overview of Operations

Trading name Shin-Etsu Chemical Co., Ltd.
Location 6-1, Ohtemachi 2-chome, Chiyoda-ku, Tokyo 100-0004, Japan
Established September 16, 1926
Capital 119,419 million yen
Representative Shunzo Mori, President
Number of employees 18,276 (consolidated) 2,757 (non-consolidated)
Business activities Production and sales of polyvinyl chloride, semiconductor silicon, silicones, rare earth magnets, synthetic quartz, cellulose derivatives and other products

Number of employees (Persons)



Principal Shin-Etsu Group Companies

- Japan**
Shin-Etsu Chemical Co., Ltd., Shin-Etsu Handotai Co., Ltd., Shin-Etsu Polymer Co., Ltd., Shin-Etsu Engineering Co., Ltd., Nagano Electronics Industrial Co., Ltd., Naoetsu Electronics Co., Ltd., Shin-Etsu Astech Co., Ltd., and others
- Overseas**
Shintech Inc., Shin-Etsu Handotai America Inc., S.E.H. Malaysia SDN. BHD., Shin-Etsu PVC B.V., SE Tylose GmbH & Co. KG, Shin-Etsu Handotai Europe Ltd., Shin-Etsu Handotai Taiwan Co., Ltd., and others

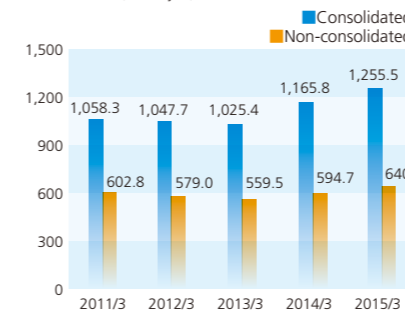
Rating: Aa3 long-term debt rating received from Moody's Investors Services

Indices for Socially Responsible Investment

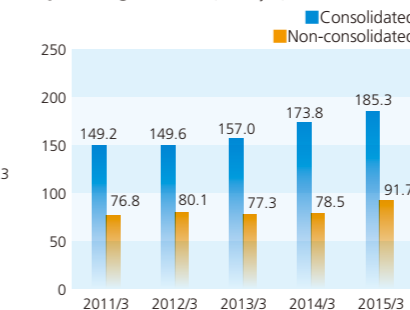


Financial Highlights

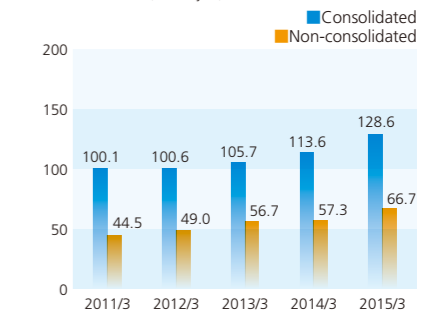
Net Sales (Billion yen)



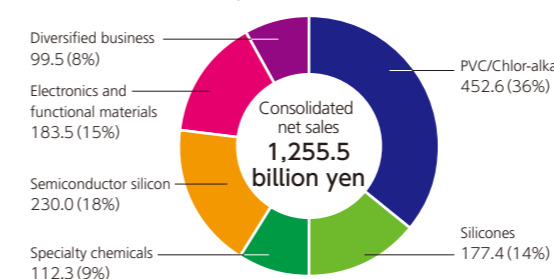
Operating Income (Billion yen)



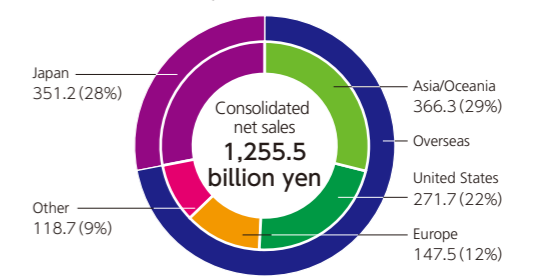
Net Income (Billion yen)



Net Sales by Segment (Fiscal year ended March 2015)



Net Sales by Region (Fiscal year ended March 2015)



Full details of Shin-Etsu Group companies
<http://www.shinetsu.co.jp/en/company/profile.html>

Financial and IR information
<http://www.shinetsu.co.jp/en/ir/>

The Shin-Etsu Group is actively engaged in solving social issues

The Shin-Etsu Group demonstrates our corporate mission "to contribute to people's daily lives as well as to the advancement of industry and society by providing key materials and technologies" through meeting the challenge to solve important social issues.

Polyvinyl chloride resins (PVC)

In comparison to aluminum window frames, PVC window frames can reduce the amount of heat loss from windows by 71 %*

(Photo) LIXIL Corporation



Rare earth magnets

Efficiency enhancement of electric motors and power generators
Essential for enhancing the performance of next-generation automobiles*



Silicones

By utilizing silicone products in Europe, North America and Japan, it is possible to reduce greenhouse gas emissions by 54 million tons of CO₂e per year*



Silicones

By utilizing silicone for sealing solar batteries, the batteries can be used for 30 years or more

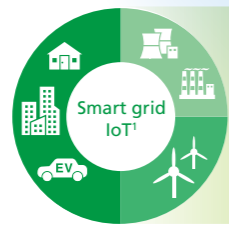


Polyvinyl chloride resins (PVC)

Water supply and sewerage pipes do not need replacing for 50 years or more



Semiconductor silicon



Energy savings

Renewable energy

Long-life infrastructures

Basic infrastructures to support an advanced information society

Addressing climate change and its impacts

Building infrastructures and fostering innovations

Conservation of ecosystems and biodiversity loss prevention

Ensuring healthy lives and promoting well-being

Things that Japan should do to realize a sustainable society

Today, the world's advanced industrial societies should be aiming to create societies that can coexist in harmony with the Earth's environment. In order to achieve this goal, we must first address the pressing issue of global warming. The most effective way to do this is to simultaneously reduce energy consumption by greatly improving energy efficiency and increasing the use of renewable energy. With the amount of energy consumed in daily living by society currently accounting for approximately 60% of total energy consumption, the need for the greater use of such things as energy-saving home appliances and eco-friendly cars and for improving the thermal insulation of housing and buildings are key future challenges for society.

In addition to environmental issues, advanced industrial countries also have other issues that need addressing such as the aging of their societies and their aging urban infrastructures. Japan is one of the world's developed countries that have been experiencing the impact of these issues from early on, and, going forward, I believe that these issues can be resolved through the application of Japanese technological know-how. Furthermore, these solutions can be expanded to be applied around the world. The Shin-Etsu Group has outstanding products and technology that can contribute to these solutions. From here onwards, I have great expectations for the continued growth of the Shin-Etsu Group.



Hiroshi Komiya
Outside Director, Shin-Etsu Chemical Co., Ltd.
(Former President of The University of Tokyo, Chairman; currently, Mitsubishi Research Institute, Inc.)

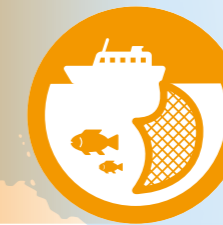
Prevention of marine pollution



Cellulose derivatives for industrial use

To minimize the separation of concrete in water, it is possible to pour concrete without contaminating the water

Reducing agricultural usage



Silicones

Very safe silicones are used for coating ship bottom and fishing nets to prevent marine organisms attaching to them

Preventing disruption of ecosystems



Synthetic pheromones

By disrupting the communication between male and female agricultural pests, it is possible to obstruct their mating behavior and selectively eliminate the agricultural pests only

Maximizing the performance of pharmaceutical products



Pharmaceutical-use cellulose derivatives

Modulating position control, dosage, and time that pills dissolve inside the body
Removing the bitter taste and odor of pills

Responding to an aging society



Rare earth magnets Silicones Semiconductor silicon

Used in joint motors, cushion materials, and electronic device control in nursing care robots

¹ IoT
Abbreviation for 'Internet of Things.' Everything is interconnected through networks
* Please refer to pages 7 to 8 in the *Environmental and Social Report 2014* for more information.
http://www.shinetsu.co.jp/en/company/csr_bn.html

CSR Promotion Structure

Shin-Etsu Group implements various activities to fulfill its corporate social responsibility

CSR Promotion Initiatives

The mission of the Shin-Etsu Group is “strictly to comply with all laws and regulations, to conduct fair business practices and to contribute to people’s daily lives as well as to the advance of society and industry by providing key materials and technologies”. We believe we have a social responsibility to contribute to our many stakeholders, including all of our shareholders and investors, customers, business partners, local communities and employees, by realizing this vision.

To achieve this, we formulated our Basic CSR Policy and internal regulations, and are implementing various CSR activities. In order to promote the Basic CSR Policy in an effective and appropriate manner at a companywide level in all aspects of corporate activity, we have set up a CSR Promotion Committee comprising managers from the relevant divisions and departments, and have appointed an officer responsible for CSR.

Diagram of the Shin-Etsu Group’s various relationships



Outline of the Corporate Mission Statement, Basic CSR Policy, and the Shin-Etsu Group’s activities



Corporate Governance

Corporate governance is one of our most important management tasks

Shin-Etsu Chemical aims to meet the expectations of shareholders by continually enhancing corporate value. To this end, we have instituted an efficient structural framework and systems designed to enable a more prompt response to changes in the business environment. Moreover, Shin-Etsu Chemical accurately discloses information to shareholders and investors as a means of improving management transparency and strengthening audit systems.

monthly basis as a general rule. The Board of Directors sets out the Company principle and deliberates and makes decisions regarding key aspects of Company operations in accordance with the Companies Act, the Shin-Etsu articles of incorporation, etc. Meanwhile, the Managing Directors’ Meeting makes deliberations and decisions on a variety of other operational issues.

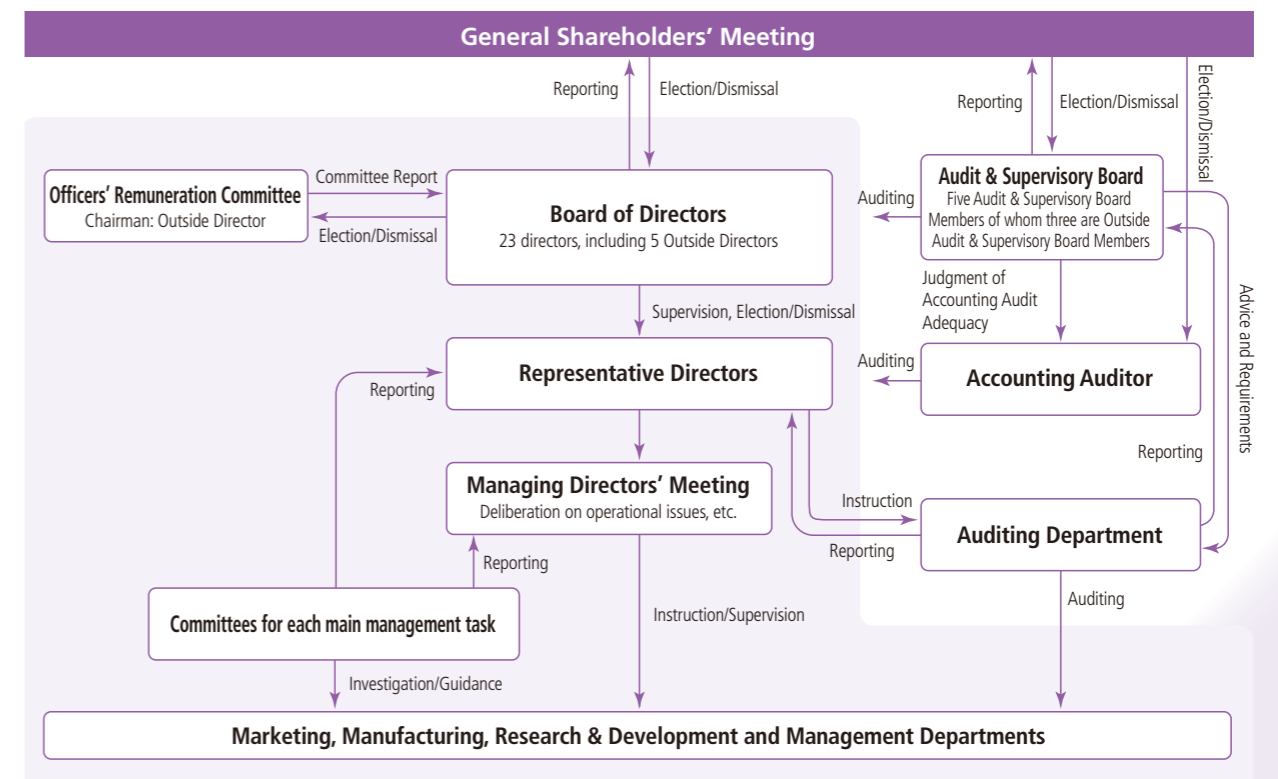
The Audit & Supervisory Board consists of five members including three Outside Audit & Supervisory Board Members. As well as attending the Board of Directors meetings, Managing Directors’ Meetings, and other important internal meetings, the Audit & Supervisory Board Members review documents and carry out other tasks in order to audit the execution of operations by the directors. Furthermore the Audit & Supervisory Board Members also hold monthly meetings with the Auditing Department where they receive progress reports on activities, internal auditing results, and other matters. They also provide advice on topics including these activities and the selection of key auditing topics, and request investigations if necessary.

Board of Directors, Managing Directors’ Meeting and Audit & Supervisory Board

Shin-Etsu Chemical has adopted an Audit & Supervisory Board Member system. The Board of Directors consists of 23 members, of whom five are Outside Directors with extensive management experience and a high level of expertise.

Two organizations to discuss and decide on the execution of operations: the Board of Directors and the Managing Directors’ Meeting, which are each held on a

Corporate Governance System at Shin-Etsu Chemical



As of June 26, 2015

Outside Directors and Outside Audit & Supervisory Board Members

For the purpose of the fulfilled advisory and supervisory functions on management independently, Shin-Etsu Chemical engages the Outside Directors and Outside Audit & Supervisory Board Members listed below.

Since their appointment, the Outside Directors have not only provided adequate supervision from an independent perspective, but have also provided advice across the full range of management operations from the points of their broad view. The Outside Audit & Supervisory Board Members bring to the audits high levels of specialist knowledge and broad experience, which contributes to maintain our company's legal compliance system.

Outside Directors and Outside Audit & Supervisory Board Members have a high degree of independence

and are not former employees of our parent company, subsidiaries, major shareholders or major business partners.

Support services for the Outside Directors and Outside Audit & Supervisory Board Members are provided by staff from the relevant divisions. When a meeting of the Board of Directors or other important internal meeting is to be held, Outside Directors are informed in advance of the agenda and provided with an explanation of its content as necessary, in response to which they express opinions as appropriate.

Outside Directors and Outside Audit & Supervisory Board Members who have been unable to attend a meeting of the Board of Directors receive a report of the meeting in the form of the minutes.

List of Outside Directors and Outside Audit & Supervisory Board Members

Position	Name	Significant other positions held
Outside Directors	Frank Peter Popoff	Former CEO, The Dow Chemical Company (US)
	Masashi Kaneko	Former Director and Chairman of the Executive Board, former Nikko Cordial Corporation Director and Chairman of the Board, Ikyu Corporation
	Tsuyoshi Miyazaki	Former Representative Director and President, Former Representative Director and Chairman and current Advisor, Mitsubishi Logistics Corporation
	Toshihiko Fukui	Former Governor, Bank of Japan Outside Director, Kikkoman Corporation President, The Canon Institute for Global Studies
	Hiroshi Komiyama	Former President, The University of Tokyo Chairman, Mitsubishi Research Institute, Inc. Outside Director, JX Holdings, Inc. Outside Director, FamilyMart Co., Ltd.
Outside Audit & Supervisory Board Members	Taku Fukui	Lawyer Managing Partner, Kashiwagi Sogo Law Offices Professor, Keio University Law School
	Yoshihito Kosaka	Certified Public Accountant, Certified Public Tax Accountant Partner, Grant Thornton Taiyo LLC Representative Partner, HIYU Certified Tax Accountants' Corporation
	Kiyoshi Nagano	Former Representative Director, Chairman and President, former JASDAQ Securities Exchange, Inc. Outside Director, SBI Holdings, Inc. Outside Director LEC, INC.

As of June 26, 2015

Directors' Remuneration

The Officers' Remuneration Committee, chaired by an Outside Director Frank Peter Popoff together with three directors as committee members, meets regularly twice a year and conducts conference calls as necessary to review and assess directors' remuneration and make recommendations to the Board of Directors in accordance with the Regulations of the Officers' Remuneration Committee.

Internal Control System and Operational Audit

Shin-Etsu Chemical has formulated a Basic Policy on Internal Controls to help put in place "structures to ensure that the execution of duties by the directors is fully compliant with relevant legislation and the articles of incorporation and that other duties of the company and subsidiaries are performed appropriately", as stipulated in Article 362, Paragraph 4, Item 6 of the Companies Act.

Internal controls are an important management responsibility at Shin-Etsu Chemical. Accordingly, the internal control system is structured and implemented in accordance with the above policy. It is subjected to constant review to make the system more appropriate and efficient.

Internal operation audits and assessment of internal controls over financial reporting are handled by the Auditing Department. The results of these audits and assessments are reported to board members including Outside Directors and Audit & Supervisory Board Members to strengthen coordination between internal audit departments and Outside Directors and Audit & Supervisory Board Members.

In addition, with respect to the Internal Control Report System for Financial Reporting applicable under the Financial Instruments and Exchange Act, the Company's Internal Control Promotion Team takes a leading role in implementing the internal control system in order to ensure the reliability and transparency of the Company's financial reporting.

Management of Group Companies

In the spirit of respect for the autonomy of Group companies, Shin-Etsu Chemical works for growth and development so as to promote mutual benefit in the interest of the business development of the Group as a whole.

Group companies are managed on the basis of the Shin-Etsu Chemical Group Company Operational Regulations. Companies with strong ties to Shin-Etsu Chemical in terms of capital, personnel, or materials undertake prior consultation and submit reports to the parent company with respect to items such as capital increase or decrease, merger, liquidation, amendment of articles of incorporation, proposal of budgets and draft of financial results, planning of new businesses or facility investment, and business conditions.

Furthermore, by holding meetings which are attended by the presidents of our main Group companies three times each year, we actively promote sharing and exchange of information among Group companies.

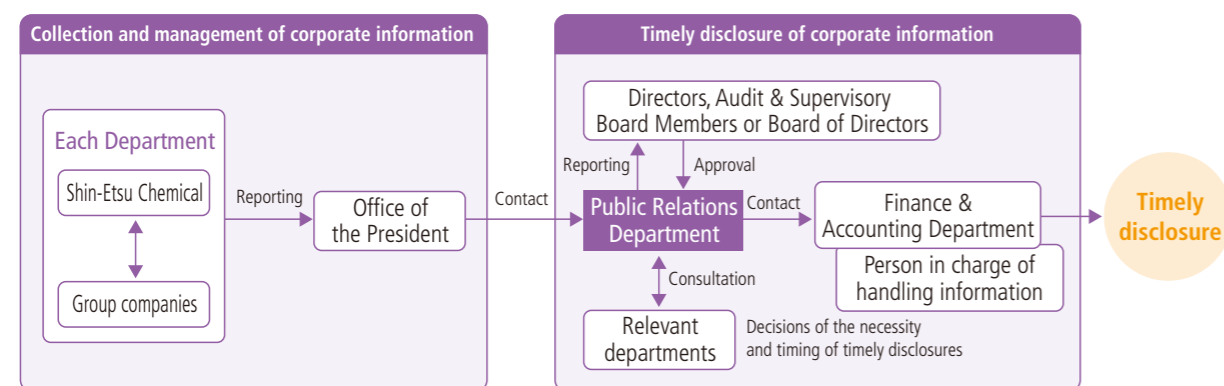
The Shin-Etsu Group strictly complies with laws and regulations

Internal System for Timely Disclosure of Corporate Information

In accordance with the regulations regarding information disclosure set by the stock exchange and the Financial Instruments and Exchange Act, Shin-Etsu Chemical has formulated internal regulations regarding collection, management, and timely disclosure of corporate information. These regulations include the

Regulations on Timely Disclosure of Corporate Information and the Rules on Regulation of Insider Trading, which are communicated to all Shin-Etsu Chemical departments and Group companies to promote smooth operations.

State of the internal system for timely disclosure



Ensuring Full Compliance Awareness

In order to comply with laws and regulations, compliance is incorporated into the Shin-Etsu Group's Corporate Mission Statement and its periodical management objectives as a means of working to ensure compliance.

In the event of promulgation of or amendments to legislation pertaining to corporate activities, the Legal Department serves in a central role in issuing internal bulletins and disseminating knowledge of these changes. In addition, to raise awareness of compliance with laws and regulations, internal bulletins are issued to draw attention to violations of laws or regulations.

Directors, Audit & Supervisory Board Members and employees make a Compliance Pledge to the Company which represents their commitment as individuals to practice compliance in their daily work. For the eventuality of inappropriate action occurring, disciplinary measures are available.

We have set up a Compliance Consultation Office, which is available whenever required to provide consultations or accept notifications regarding compliance. In accordance with the Compliance Consultation and Notification Regulations, the Compliance Consultation Office maintains strict confidentiality to ensure that no employee consulting the office suffers disadvantage. The office then carries out investigations in response to the information received and takes corrective action where necessary. No employee suffers any form of disadvantage on the grounds of having made a consultation or notification.

Initiatives Aimed at Preventing Corruption

The Shin-Etsu Group has created the Anti-Bribery Regulations and prohibits actions that involve unfair transfer of profit from or to parties such as government officials and business partners. Moreover, by having a Compliance Pledge, we assuredly prevent unfair benefits or unfair demands in respect to our customers and business partners. In addition, regular internal audits for corruption, embezzlement and bribery are carried out, and the status of compliance with ethical standards is one item included in personnel evaluations.

Cutting Ties with Anti-social Forces

The Shin-Etsu Group declares in its Basic Policy on Internal Controls that the Group shall adopt a consistently resolute attitude towards anti-social forces and shall take measures necessary to cut itself off from any and all associations with antisocial forces. In accordance with this policy, we will endeavor to develop internal systems under the leadership of the department in charge of managing these issues. Working closely with external organizations addressing these issues, we will strongly push forward initiatives aimed at eradicating anti-social forces through the signing of letters of confirmation and memorandums with business partners.

Export Control

From the viewpoint of maintaining world peace and security, Shin-Etsu Chemical complies with the Foreign Exchange and Foreign Trade Act and other export related legislation. To that end, the Internal Control Program on Security Export Control has been established to classify categories of goods and implement screening procedures for customers and transactions. The Company also conducts internal audits and provides training and guidance for officers and employees as well as instruction to Group companies.

We appropriately manage and protect information assets

Initiatives for Information Asset Management

The Information Asset Management Regulations have been formulated under the Basic Policy on Information Asset Management established to maintain the confidentiality¹, integrity², and availability³ of information possessed by the Shin-Etsu Group. These regulations stipulate how to protect, utilize, manage and apply information assets.

Details concerning issues such as the handling, management, retention periods, and deletion of all information regarding customers and business partners are set out in the Information Asset Management Standards and the Trade Secrets Management Standards. In order to prevent unintentional leaks of technologies due to business development into regions with weak protections for intellectual property rights, we have formulated the Standards for Preventing Technology Leaks.

We also carry out training and implementation related to the Information Asset Management Department, regularly conduct checks of the status of compliance with the Information Asset Management Regulations and other regulations, and perform internal audits.

¹ Confidentiality
Information is to be protected from unauthorized users.

² Integrity
Information is to be protected from falsification, deletion, destruction and loss.

³ Availability
Ensure authorized users have access to information when needed.

Protection of Personal Information

In order to properly protect personal information in accordance with the Act on the Protection of Personal Information, we have established our Privacy Policy, which is available on our website.

Moreover, the Group is making exhaustive efforts in the appropriate handling and protection of the personal information of customers, business partners, and other contacts through measures such as conducting education on laws and regulations and holding lectures regarding personal information protection during stratified training sessions.

Initiatives Concerning Intellectual Property

In order to accomplish strategic business management centered on intellectual property, the Shin-Etsu Group has established the Basic Regulations for Intellectual Property, which set out regulations regarding acquisition, management, and application of intellectual property. In addition to protecting the Group's intellectual property from violation by third parties, these regulations also require respect for the rights regarding all intellectual property of third parties.

Moreover, information in forms such as an annual report is disclosed to allow all persons involved with the Group to have a precise collection of the status of the Group's intellectual property assets.

Establishment of information security web seminars

Ryota Kaseda, Hisao Nishijo
Skyward Information System Co., Ltd.

Skyward Information System is constructing various systems that will be utilized by the Shin-Etsu Group.

From 2011, in cooperation with the Shin-Etsu Chemical Information Asset Management Department, we have established information security webinars through our e-Learning system. This course of lectures is designed to promote familiarization of the Information Asset Management Regulations and enhancement of knowledge regarding information assets. Students of the course receive 60-minute lectures after which they are tested. Our Information Asset Management Department also follows up on course students who have a lower level of understanding.



We make preparations to counter the risks surrounding the Company

Risk Management Regulations

Shin-Etsu Chemical has established the Risk Management Regulations, precisely defined the potential risks to the Company and the Group, created management systems related to preventing those risks and other matters, and set out how to respond to risks after they occur.

Risk Management Committee

According to the Risk Management Regulations, the Risk Management Committee has been created and is chaired by a director in charge. It constructs risk management structures, establishes regulations, and works to identify and prevent potential risks arising in connection with the operations of the Company.

The Risk Management Committee also promotes broad-based activities in risk management areas such as business continuity planning, education, and information provision. The Committee reports directly to the Board of Directors, the Audit & Supervisory Board, and the Managing Directors' Meeting on major issues.

Business Continuity Plans

The Shin-Etsu Group considers the supply of high quality materials based on superior technologies to be an important contribution to society, and regards ensuring continuity of supply as a major corporate responsibility. Many of the Group's products have

high market share not only in Japan but also globally, and our products are often used for highly specialized applications in cutting-edge industries. An interruption of the supply of these products would therefore have a major social impact.

The Company-wide Business Continuity Management Regulations have been established so the Company can fulfill its responsibility to supply important products even in the event of a large-scale earthquake, explosion, fire, or other serious disaster. The Company establishes a business continuity plan and sets out matters such as operations management. Moreover, division specific and plant-specific business continuity plans have been formulated that take these matters into consideration.

Systems in the Event of an Emergency

In the event of an emergency, a Company-Wide Headquarters for Countermeasures headed by the Company president will be set up in line with the Regulations of Disaster Countermeasures Headquarters. Below this will be set up Head Office Supervisory Departments attached to the Company-Wide Headquarters for Countermeasures, Division Headquarters for Countermeasures headed by the relevant divisional general manager, and the Headquarters for Countermeasures of the relevant plant headed by the relevant plant manager.

Under this system, each countermeasure headquarters and organization is responsible for implementing emergency action procedures in accordance with predefined operational criteria and for taking measures to ensure continuity of business.

Risks Defined in Risk Management Regulations

1. Risk factors related to business activities		
(1) Business risks	(6) Finance and accounting risks	(11) Fraud risks
(2) Research and development risks	(7) Personnel and labor risks	(12) Country risks
(3) Production and quality management risks	(8) Environment and safety risks	(13) Legal risks
(4) Sales risks	(9) Information management risks	(14) Other
(5) Purchasing risks	(10) Intellectual property, contract, and litigation risks	
2. Risk factors not related to business activities		
(1) Risks caused by economic factors	(3) Risks caused by governmental factors	(5) Risks caused by natural environmental factors and/or disasters
(2) Risks caused by social factors	(4) Risks caused by scientific and/or technical factors	(6) Other

We are working to reduce the environmental impact of society as a whole by developing advanced technologies

Environmental Management Promotion Structure

The Shin-Etsu Group incorporates environmental considerations into all aspects of its corporate activities, with the aim of helping to prevent global warming and working towards the establishment of a sustainable society. We are striving to reduce greenhouse gases and other environmental impacts associated with production processes by setting ambitious targets and working towards clean production processes.

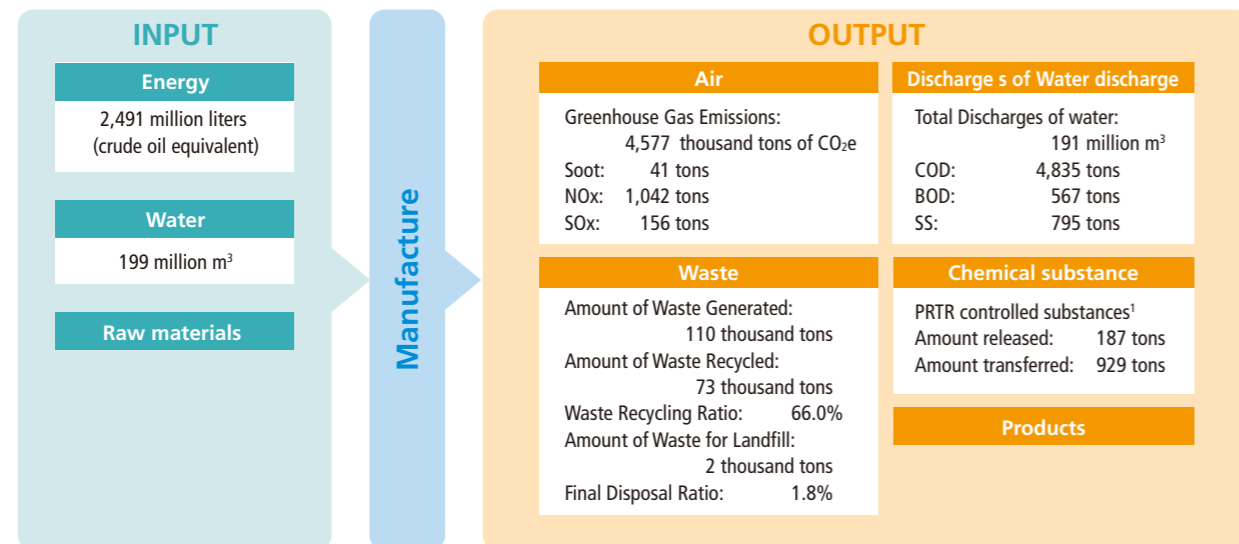
Every year, we create the Shin-Etsu Group Environmental Control and Safety Management Policy and disseminate this policy to all Shin-Etsu Chemical production plants and domestic and overseas Group companies at Group Environmental Safety Meetings. All Shin-Etsu Chemical production plants and Group companies are committed to activities for setting annual improvement targets based on this management policy. We conduct internal auditing for these individual

targets several times every year to examine their validity and confirm the progress of attainment of these targets to increase the level of our activities. In addition, we implement regular Environmental Control and Safety Audits and verify the details and degree of attainment of each of our activities.

Promoting the Reduction of Environmental Impact

The Shin-Etsu Group is not only committed to reducing environmental impact at the product manufacturing stage, but also developing products by our trinity of Research, Manufacturing and Sales divisions by placing emphasis on the level of contribution to reducing the environmental impact at the product-use stage as well as saving energy and resources. These products are used in a broad spectrum of fields, including industry, daily life, and renewable energy.

Reducing the Environmental Impact by Business Activities



¹ PRTR controlled substances
426 substances designated as Class I designated chemical substances from the "Pollutant Release and Transfer Register in the Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management."
* In order to clearly define the reduction efforts, the average power CO₂ conversion factor from 2000-2009 is used.
* As industrial waste standards and PRTR controlled substances vary from country to country, the figures shown represent the aggregated data from the Shin-Etsu Group's Japanese domestic operations only.
* Waste recycling ratio indicates the ratio of an amount recycled to total waste generated.
* Final disposal ratio indicates the ratio of an amount of landfill waste to total waste generated.

We quantitatively measure environmental conservation costs and economic benefits

Environmental Accounting

In fiscal 2014, Shin-Etsu Chemical applied the Environmental Accounting Guidelines 2005 prepared by the Ministry of the Environment, Japan, to calculate the investments and expenditures involved in reduction of the environmental impact of air pollution,

water pollution, environmental release of chemical substances, etc.; energy-saving measures to conserve the global environment; and waste reduction and recycling to improve reuse of resources.

Environmental Conservation Costs in Fiscal 2014

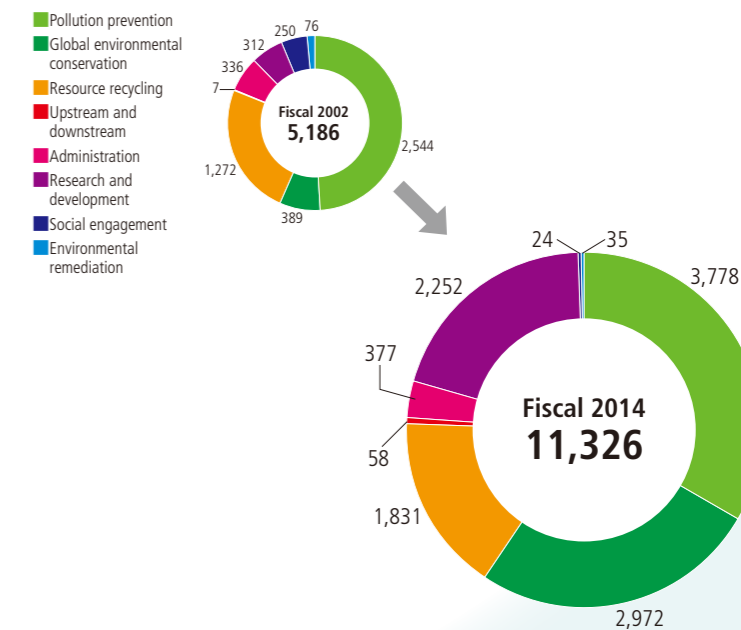
(Million yen)

Category	Details	Investment	Expenditure
Plant area costs		1,586	8,580
(1) Pollution prevention costs	Prevention measures for air, water, noise and other types of pollution	438	3,778
(2) Global environmental conservation costs	Energy saving and global warming mitigation measures	450	2,972
(3) Resource recycling costs	Waste reduction, recycling and other measures	698	1,831
Upstream and downstream costs	Green purchasing and container and packaging measures	0	58
Administration costs	Environmental management, environmental impact monitoring and environmental education measures	4	377
Research and development costs	Research and development of environmentally conscious products and processes	0	2,252
Social engagement costs	Donations and contributions to environmental saving	0	24
Environmental remediation costs	Assessment, handling and other costs related to environmental pollution	0	35
Total		1,591	11,326

Economic Benefits of Environmental Accounting in Fiscal 2014

Details of benefits	Economic benefit (million Yen)
Energy savings	663
Improved production efficiency	1,309
Production process	1,151
Secondary materials costs	158
Reduction in waste treatment costs	-118
Profit from sale of valuable resources	121
Total	1,975

Cost of Environmental Conservation (million yen)



Environmental Management

Environmental Initiatives

The Shin-Etsu Group is addressing all issues that are relevant to realizing energy saving and mitigating global warming, including reducing environmental impact, protecting the environment and recycling resources

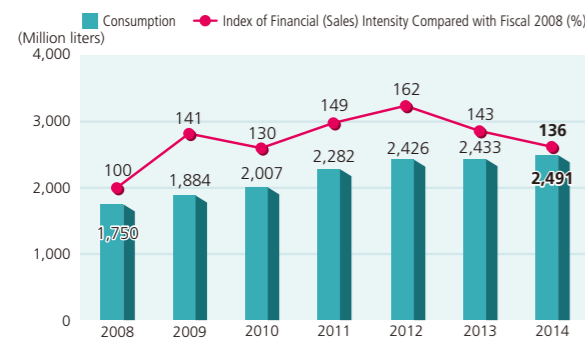
Countering Climate Change

Mid-term target Shin-Etsu Chemical reduce greenhouse gas emissions intensity to 50% of 1990 level by 2015

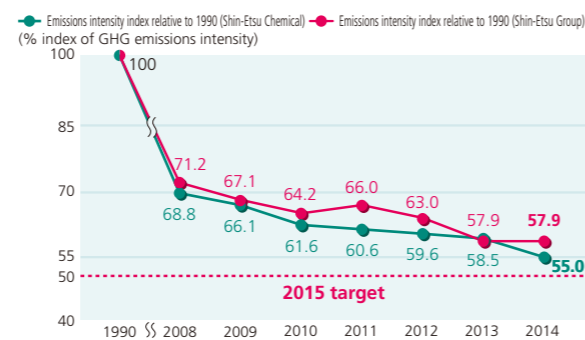
- Fiscal 2014 target:** Achieve 1% average yearly reduction in energy consumption intensity
- Fiscal 2014 results:** Shin-Etsu Chemical: reduction to 55.0% of 1990 level (3.5% reduction from fiscal 2013), Shin-Etsu Group: reduction to 57.9% of 1990 level (no change from fiscal 2013)
- Fiscal 2014 evaluation:** Shin-Etsu Chemical plant's energy-saving efforts are also contributing, producing positive results
- Fiscal 2015 target:** Achieve 1% average yearly reduction in energy consumption intensity

As a result of the productivity, heat recovery and yield improvements of the entire Shin-Etsu Group, Group-wide production volume of the reference product increased by 3.0% compared with fiscal 2013, but energy consumption was suppressed to an increase of 2.4%.

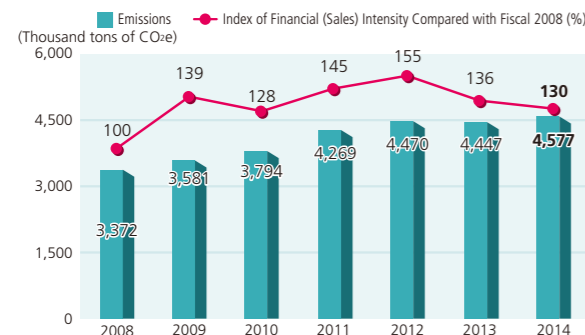
Energy Consumption (crude oil equivalent)



Changes in Greenhouse Gas Emissions Intensity Relative to Fiscal 1990 Levels



Greenhouse Gas Emission Volume Trends



Detailed Chart of Energy Consumption (converted to heat quantity)

Unit: peta joule

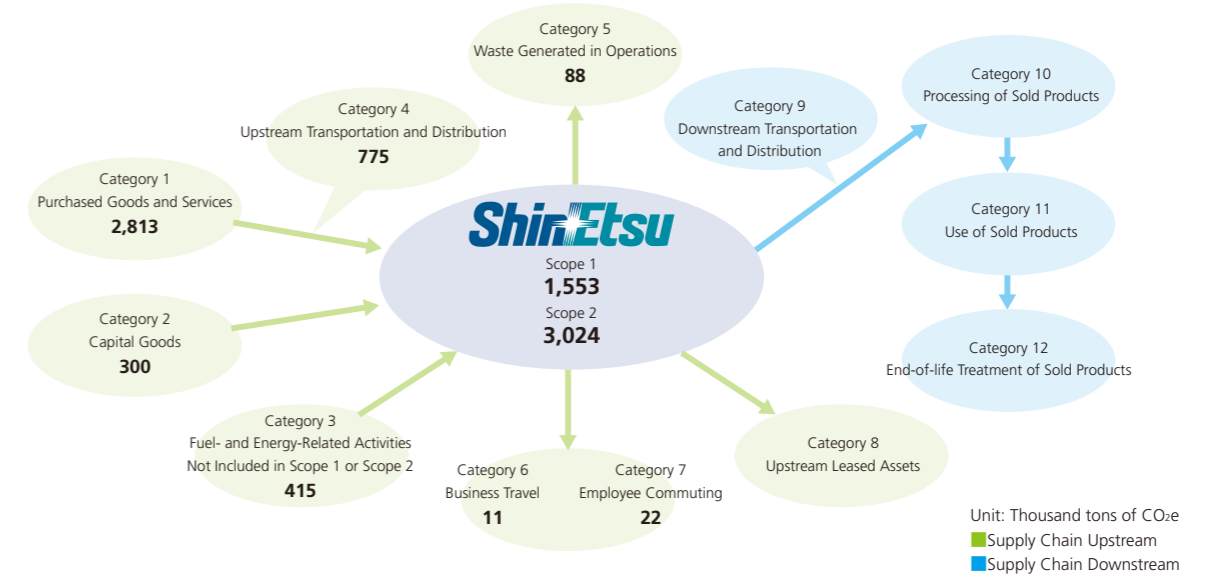
	2008	2009	2010	2011	2012	2013	2014
SCOPE 1	Natural Gas	15.5	18.3	20.3	24.1	24.2	25.1
	Heavy Oil A + Heavy Oil C	1.1	0.6	0.6	0.7	0.5	0.3
	LPG + LNG	1.4	1.9	1.5	1.5	1.6	1.3
	Other	1.0	0.8	0.8	0.5	0.7	0.8
SCOPE 2	Purchased Electric Power	42.3	45.2	48.3	55.6	61.3	63.4
	Purchased Steam	6.3	6.0	6.1	5.8	5.6	5.4
Total	67.6	72.8	77.6	88.2	93.8	94.1	96.3

Scope 3 Greenhouse Gas Emissions

The Shin-Etsu Group's Scope 3 greenhouse gas emissions¹ for fiscal 2014 were 4,423 thousand tons of CO₂e, amounting for 49% in the supply chain². Due an increase of business activities, emissions increased by 18.1% from fiscal 2013.

¹ Scope 3 released amounts
Amount of emissions upstream and downstream from a company.
² Supply chain
Refers to all stages of a product from raw material production until it reaches the final customer

Scope 3 Emissions of the Shin-Etsu Group by Category



Environmental Data
<http://www.shinetsu.co.jp/en/company/csr.html#houkoku>

Elected to CDLI by CDP Japan 500

In fiscal 2014, our company was elected to the Climate Disclosure Leadership Index (CDLI) for the first time by the Carbon Disclosure Project (CDP) Japan 500.

The CDP is an international NGO that promotes the realization of sustainable economies by disclosing high-quality information on climate change for investors and global economies. As a result of disclosing information regarding our commitment to climate change through the CDP's information disclosure system, we were surveyed among 500 Japanese companies and assessed to be a company that excels in climate change information disclosure and ranked in the top 10% of companies that disclose information.

Through this information disclosure system, an addition to our Group-wide coordinated commitment to comprehensively reducing greenhouse gas emissions, our company was able to report a feasible reduction of greenhouse gas emissions, and also through the use of our company's polyvinyl chloride (PVC), rare earth magnets, LED package material products and others. This evaluation is considered to be the result of the combined constant efforts of our company's research, manufacturing and sales trinity.



Protection of Water Resources and Reduction of Water Pollutants

Fiscal 2014 target: Achieve reduction of water withdrawals in intensity by 1% at an average annual rate

Fiscal 2014 results: Shin-Etsu Chemical achieved reduction of 10.7% in intensity by comparison to fiscal 2013, and Shin-Etsu Group achieved reduction of 3.3% in intensity

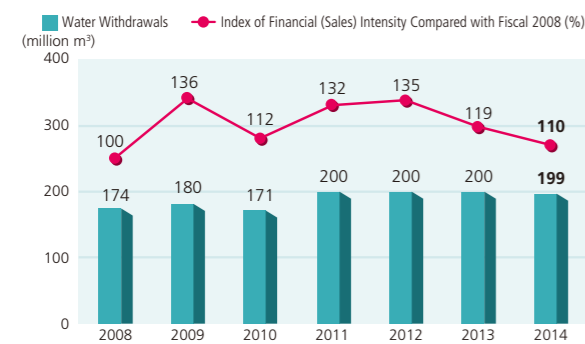
Fiscal 2014 evaluation: As a result of efficiently utilizing the circulating water in our cooling towers, we were able to reduce our cooling tower water withdrawals

Fiscal 2015 target: Achieve reduction of water withdrawals in intensity by 1% at an average annual rate

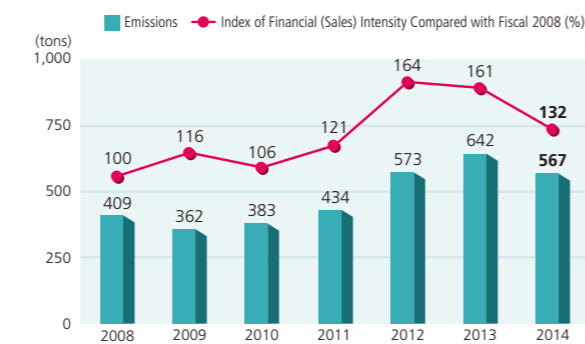
The Shin-Etsu Group main manufacturing bases are located in comparatively water-rich Japan. However, due to the scarcity of water in many regions of the world, the United Nations Environment Programme (UNEP) has forecast that water scarcity in some regions will become serious by the year 2025. To enable our Group to continue to operate in those regions where there is a risk of water scarcity, we are actively engaged in conserving water resources by reducing our daily water withdrawals and recycling and utilizing water.

In addition, we comply with regulatory values for water pollutants for discharge of good quality water and we verify our compliance status by water quality analysis.

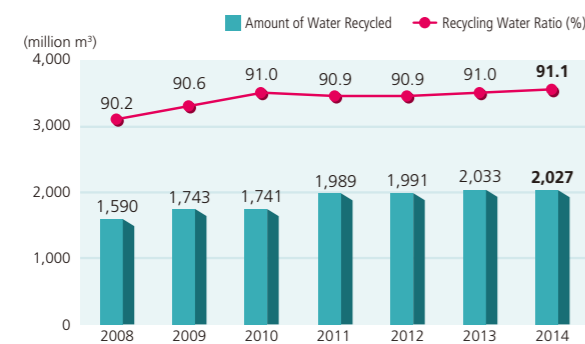
Water Withdrawals Trends



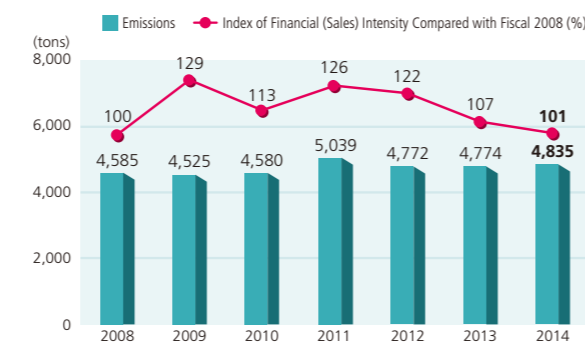
BOD Discharge Volume Trends



Water Recycled Trends



COD Discharge Volume Trends



Water Resource Conservation Efforts by the Shin-Etsu Chemical Gunma Complex

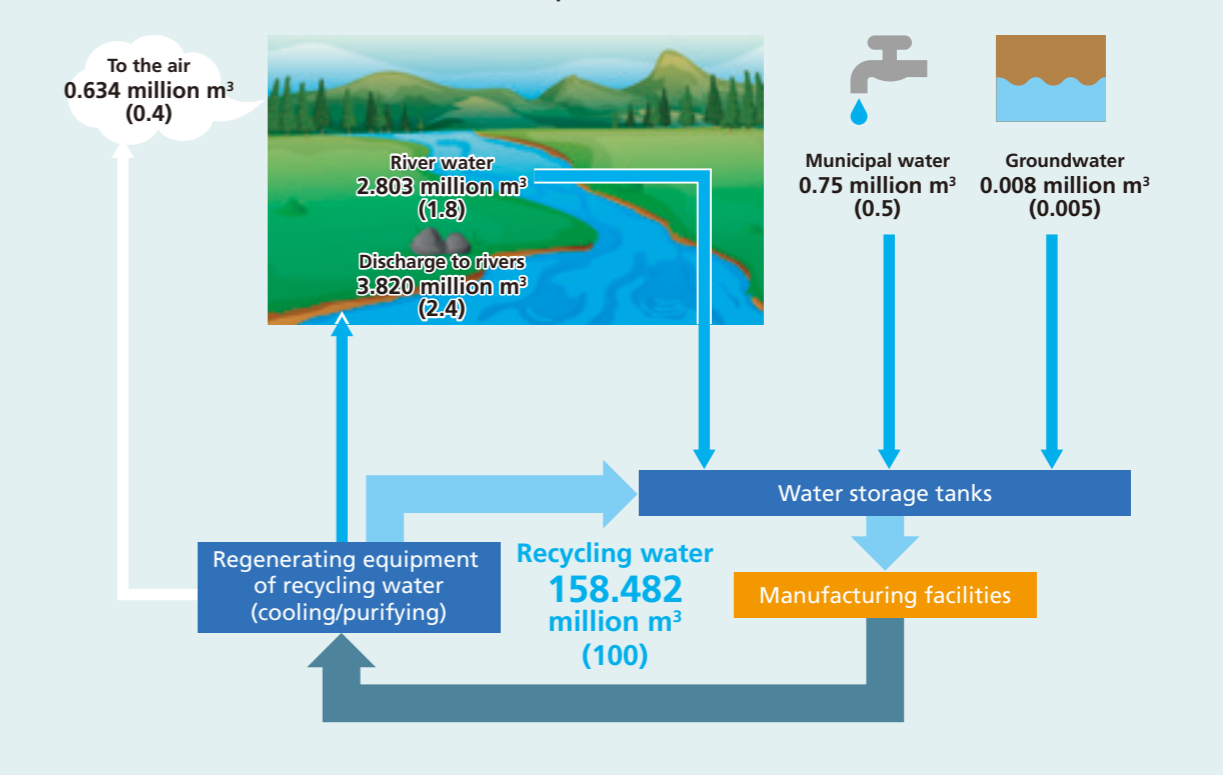
The Shin-Etsu Chemical Gunma Complex manufactures highly functional materials centered on silicone. Located inland in the south-west region of Gunma prefecture, the Complex draws its water required for manufacturing almost from nearby rivers and purifies the discharges of water from the Complex before return to the rivers.

The Gunma Complex is situated in a rich natural environment. Downstream from the nearby rivers sits the Tokyo metropolitan area where these rivers sustain the daily lives of its residents as well as industry and agriculture. Although the manufacturing of chemical products requires large quantities of water, the Complex strives to conserve valuable water resources by keeping its water withdrawals from these rivers to a minimum. For this reason, the Complex *reuses as much water as possible* in its manufacturing and water cooling processes by *recycling and circulating water* and ensuring there is *no water leakage* outside of the Complex.

Besides *purifying the water* before return to the rivers, *rigorous water quality management* is also applied. The Complex strives to maintain optimum conditions by continually monitoring the operating status of water treatment facilities and conducts regular water quality analysis of discharges of water to verify that it is in strict compliance with high water standards. Furthermore, they separate rainwater to prevent inflow of rainwater during heavy downpours as a measure to protect their treatment facilities from being damaged by natural disaster. In addition, since 2014 they have been carrying out seismic strengthening works assuming large-scale earthquakes.

By effectively utilizing limited water resources, the Gunma Complex will continue to fulfill its responsibility as an upstream located production base.

Water Flow at the Shin-Etsu Chemical Gunma Complex



We are engaged in creating a recycling-oriented society using cutting-edge technologies

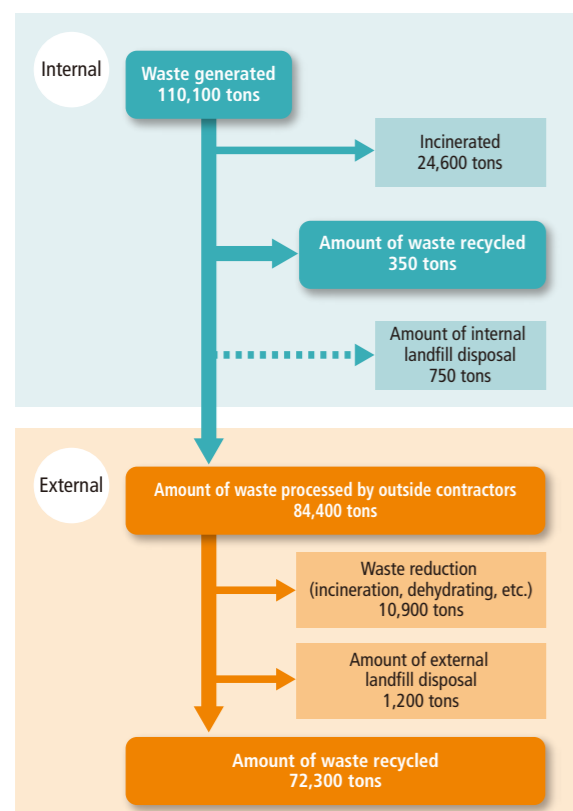
Waste Reduction

Fiscal 2014 target: Achieve zero waste emissions (landfill waste 1% or less of all waste generated)
Fiscal 2014 results: Shin-Etsu Chemical achieved a landfill waste ratio of 1.88% (0.18% increase from fiscal 2013), and Shin-Etsu Group companies in Japan achieved 1.77% (0.03% increase from fiscal 2013)
Fiscal 2014 evaluation: The rate of increase in the amount of waste recycled by Shin-Etsu Chemical exceeded the rate of increase in the amount generated
Fiscal 2015 target: Achieve zero waste emissions

In fiscal 2014, due to an increase in production volume, recycling volume increased to 14.2% and the amount of final disposal waste increased to 12.5%. Since most of the waste is processed by outside contractors, we also periodically check their sites to ensure proper handling of waste.

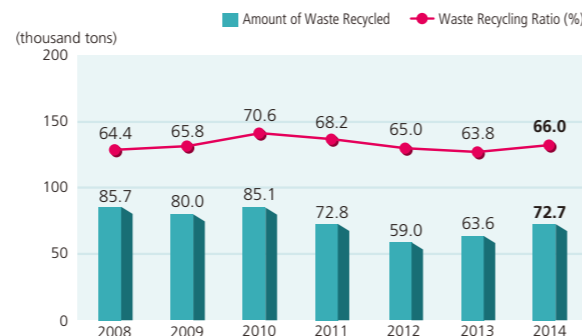
We will continue and expand our exploration of ways to re-use and recycle waste, with the aim of achieving the goal of zero waste emissions.

Waste Handling Process

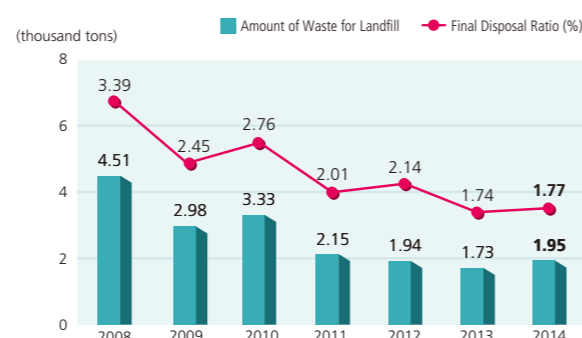


* Because standards applicable to waste differ by country, only data for group companies in Japan are given.

Amount of Waste Recycled



Amount of Waste for Landfill



Many products are thrown away after use, But the Shin-Etsu Group strives to use limited resources efficiently and engage in recycling, achieving sustainable resource circulation.

Our Group collaborates with customers and related industry groups, using cutting-edge technologies to recover products, extract resources, and reuse them in our products. Not only do these initiatives make it possible to reduce the waste output of our customers and the Group itself, but they also contribute to resource and environmental conservation.

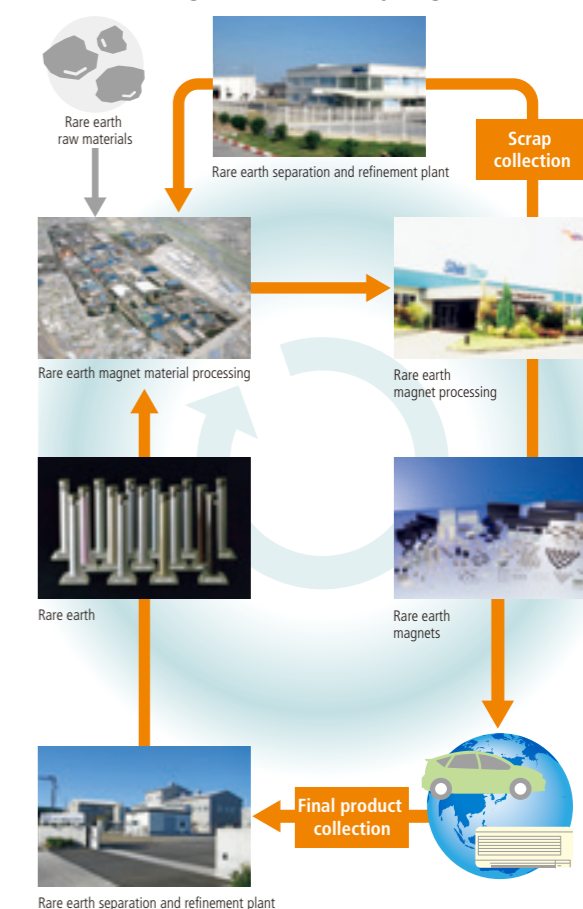
Rare Earth Magnet Resource Recycling

The Shin-Etsu Group manufactures rare earth magnets by our integrated production process using separation and refinement techniques to extract rare earths from rare earth raw materials.

Reserves of rare earth are limited and mines are concentrated in specific areas, therefore procurement risk is created. In addition, some rare earth raw materials mining methods also may damage the environment in the area surrounding the mine. In order to respond to these risks, since 2007, the Group has been recycling scraps generated by our rare earth magnet manufacturing processes. Furthermore, from March 2013, we have been developing techniques for recovering rare earth magnets used in disposed of power-saving air conditioners and hybrid cars. The rare earths are extracted and recycled into the main raw materials for use in rare earth magnets.

These initiatives have made it possible to protect the value resource of rare earth, as well as the surrounding environment. As recyclable products, rare earth magnets create significant economic and social value.

Rare Earth Magnet Resource Recycling Process



Recycling of PVC Products

Initiatives for the recycling of products containing PVC are making progress. There are various methods for recycling PVC, the most common of which is material recycling.

Material recycling uses PVC products as raw materials to create new PVC products. PVC pipes, flooring materials, and other PVC products have low levels of foreign substance contamination, making them especially suited for material recycling, of which there are various types. In particular, 60% of PVC pipes and joints are recycled for use in new PVC pipes and joints, and 70% of agricultural film is recycled for use in flooring material.

We are engaged in biodiversity preservation initiatives as part of our responsibility as a chemical company

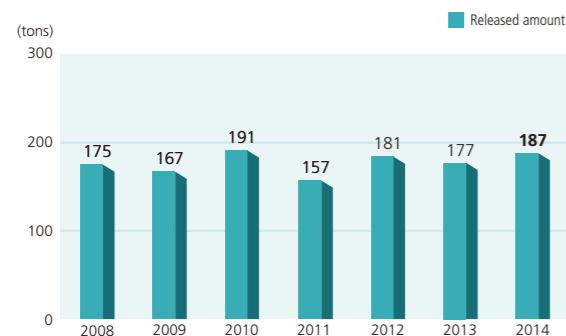
Conservation of Biodiversity

The Shin-Etsu Group aims for environmentally considerate product design starting already from the product development stage. At the same time, we are also meeting our responsibility as a chemical company by working actively to ensure strict control of chemical substances, mitigate global warming, reduce energy consumption, reduce the amount of waste generated, prevent water pollution, and make other environmental contributions. We are also engaged in activities such as scenic improvement and tree-planting in areas neighboring our plants. Furthermore, we request that our business partners implement environmental conservation initiatives concerning forest conservation and similar activities.

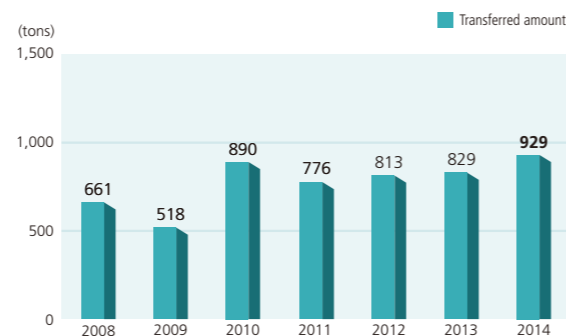
Control of Chemical Substances

Although the rate of PRTR controlled substance chloromethane emissions was 296 ppm, we achieved an improvement of 12.7% in intensity in comparison to fiscal 2013. This was due to establishing the proper operating conditions of our manufacturing and pollutant treatment facilities.

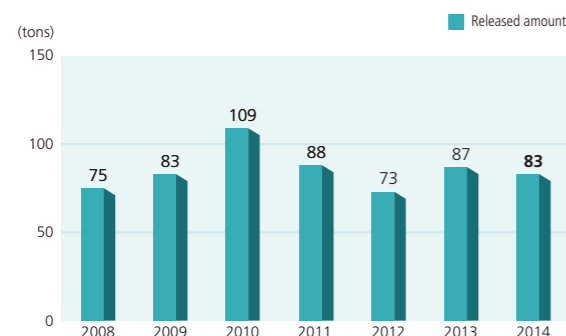
PRTR Controlled Substance Total Release Trends



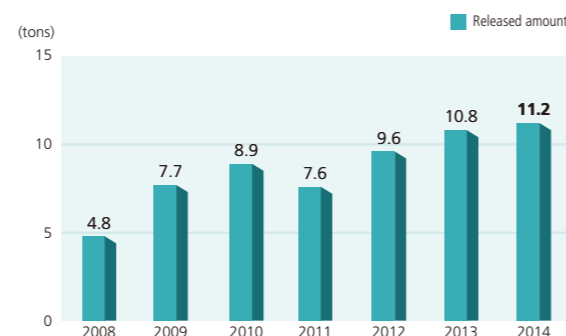
PRTR Controlled Substance Total Amount Transferred Trends



PRTR Controlled Substance: Chloromethane Release Trends



PRTR Controlled Substance: Chloroethylene Release Trends



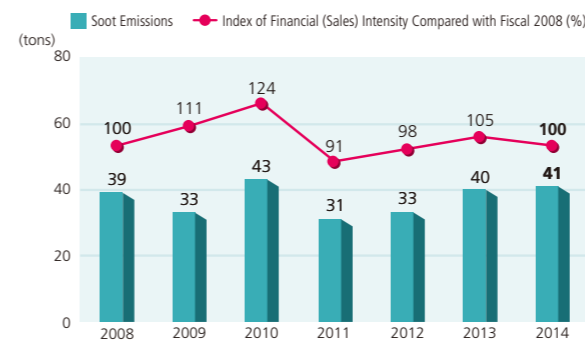
* The figures shown represent the aggregated data from the Shin-Etsu Group's Japanese domestic operations only, based on the Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof and the PRTR

Prevention of Air Pollution

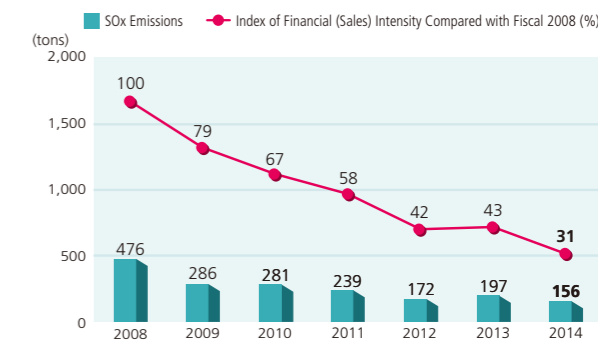
The Shin-Etsu Group is working to reduce emissions of air pollutants by setting emission reduction targets at each our Group companies. Target values in this area are set by each group company.

Soot emissions increased in fiscal 2014 as production increases. However, by converting to low sulfur fuels, we reduced sulfur oxide (SOx) emissions by 21%.

Soot Emissions Trends



SOx Emissions Trends



Prevention of Soil Pollution

Groundwater and soil monitoring at each plant is being carried out in accordance with the Soil Contamination Countermeasures Act as necessary.

No soil pollution has occurred at any Shin-Etsu Group company.

Cleanup of River amount Plant

Shin-Etsu Group production plants actively engage in regional environmental beautification activities.

The Shin-Etsu Chemical Co., Ltd.'s Takefu Plant and neighboring Group companies engage in cleaning up the Oshozu River, which flows along the west side of the Plant, in June each year. In 2014, 35 participants removed algae and weeds from the embankments and cleared up refuse and empty cans, etc.

Although the weather was bad on the actual day during the rainy season, all participants restored the River to its original glory through they carried out the task in a workmanlike manner. They helped to beautify the area surrounding the Plant.



We are engaged in various activities in accordance with responsible care codes

Every year the Shin-Etsu Group creates environmental and safety management plans based on Responsible Care codes. The entire Group works as one on key initiatives such as “environmental preservation,” “prevention of major disasters such as explosions or fires,” and “prevention of work accidents.”

Shin-Etsu Group Major Fiscal 2014 Target, Implementation Status, Evaluation, and Fiscal 2015 Planned Implementation Items

Environment

Item	Priority Issues (Target)	Implementation Status for Fiscal 2014	Evaluation	Planned Implementation Items for Fiscal 2015
Environmental conservation	1) Zero environmental accidents	• Achieved target of zero environmental accidents	◎	•Zero environmental accidents
	2) Thorough environmental management	•Continued Continued appropriate compliance with environmental laws and regulations	◎	•Appropriate compliance with environmental laws and regulations
	3) Promotion of energy savings (Reduction of energy use in intensity ¹ by 1% at an average annual rate)	•Shin-Etsu Chemical reduced by 6.1% in intensity compared with fiscal 2013 •Shin-Etsu Group reduced by 0.6% in intensity compared with fiscal 2013	△	•Reduction of energy use in intensity by 1% at an average annual rate
	4) Reducing greenhouse gas emissions (Intensity reduction to 50% of 1990 level by fiscal 2015)	•Shin-Etsu Chemical reduction to 55.0%, Shin-Etsu Group reduction to 57.9% of 1990 level	△	•Reduction to 50% of 1990 level in intensity by fiscal 2015
	5) Reduce waste (Promote zero waste emission (waste to landfill ratio to 1% or less))	•Landfill waste to total waste ratio of 1.77% •Setting of reduction targets by output intensity was not achieved	×	•Promote zero waste emission (waste to landfill ratio to 1% or less) •Set reduction targets by output intensity
	6) Reduced emissions of substances causing water pollution or air pollution	•While overall production volume increased, BOD, NOx, and SOx emissions were reduced •Setting of fiscal 2015 targets (based on FY2010 standards) was not achieved	○	•Implement measures for setting fiscal 2015 targets (based on FY2010 standards) •Regular review and strict compliance with specific facility using hazardous substances pertaining to the Water Quality Pollution Control Act and installation standards for designated storage facilities
	7) Reduction in water withdrawals	•Shin-Etsu Group reduced water withdrawals by 0.4% and in intensity by 3.3% compared with fiscal 2013	◎	•Achieve reduction of water withdrawals in intensity by 1% at an average annual rate •Plan and implement measures for improving recycling water ratio
Chemical substance management	1) Thorough new chemical substance management	•Thorough management of permitted production volumes (confirmed) and production results •Communicated reporting of harmful substance information, etc., at the time of acquisition	◎	•Thorough management of permitted production volumes (confirmed) and production results •Communicate reporting of harmful substance information, etc., at the time of acquisition
	2) Compliance with legal and other requirements for chemical substance control	•Responded to revisions and strict compliance with Chemical Substances Control Law ² , Industrial Safety and Health Act, PRTR Law ³ , Poisonous and Deleterious Substances Control Act •Strict compliance with overseas laws and regulations	◎	•Respond to revisions and strict compliance with Chemical Substances Control Law, Industrial Safety and Health Act, PRTR Law, Poisonous and Deleterious Substances Control Act •Compliance with overseas laws and regulations
	3) Information disclosure on harmfulness of chemical substances	•Information disclosure and awareness raising of substances handled to contractors and subcontractors	○	•More information disclosure and awareness raising of substances handled to contractors and subcontractors

1 Intensity
A measure calculated from the production volume of a reference product.
2 Chemical Substances Control Law
Short for “Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc.” A law intended to prevent environmental pollution by chemical substances that can be harmful to human health or to ecosystems.
3 PRTR Law
Short for “Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof.” A law intended to promote improved self-directed control of chemical substances by business operators, in order to prevent the risk of damage to the environment.
4 5S activities
Seiri (sort), seiton (straighten), seiso (shine), seiketsu (sanitize), and shitsuke (sustain). The name “5S” comes from the fact that the first letters of each word begin with “s.”
* Responsible Care Codes: codes setting basic conditions for the implementation of Responsible Care in six areas: environmental preservation, process safety and prevention plan, occupational safety and health, chemical and product safety, distribution safety, and social dialog (with the public). Alongside conditions in these areas, a Management System Code to operate all the above is required.

Safety

Item	Priority Issues (Target)	Implementation Status for Fiscal 2014	Evaluation	Planned Implementation Items for Fiscal 2015
Process Safety and Prevention Plan	1) Zero serious accident	•Achieved target of zero serious accident	◎	•Zero serious accident
	2) Risk assessment of facilities and processes, and implementation of preventive measures	•Implemented assessment of process risks •Maintained operation manuals •Received on-site auditor evaluation by the Japan Safety Competency Center	○	•Review non-routine work and operational safety measures •Application of Security Evaluation System by the Japan Safety Competency Center
	3) Improvement of facilities and maintenance management	•Investigated causes of facility troubles and formulated measures to prevent recurrence •Implemented planned facilities maintenance	○	•Investigate causes of facilities issues and prevent recurrence •Improve facilities maintenance
	4) Reliable emergency response	•Implemented worst-case scenario measures for serious disasters and earthquakes •Maintained emergency-response criteria and manuals •Implemented business continuity planning training	○	•Implement worst-case scenario measures for serious disasters and earthquakes •Maintenance of emergency-response criteria and manuals •Enhance business continuity planning training
Occupational Safety	1) Zero accident requiring an absence a day or more	•Shin-Etsu Chemical: one person •Group-wide: two persons	×	•Zero accident requiring an absence a day or more
	2) Rate of incidents not accompanied by an absence a day or more: 0.5 or less	•Shin-Etsu Chemical achieved its target rate of 0.37 •Group-wide also achieved its target rate of 0.44	◎	•Rate of incidents not accompanied by an absence a day or more: 0.5 or less
	3) Improve work safety	•Implemented “zero accident” activities (practiced Hazard prediction activities, pointing and calling, and 5S activities) ⁴ •Implemented improvement and promotion of close-call incident proposals and improvement proposals •Implemented assured horizontal expansion of accident examples of the Group and other companies	○	•Implement “zero accident” activities (practice Hazard prediction activities, pointing and calling, and 5S activities) •Implement improvement and promotion of close-call incident proposals and improvement proposals (setting of promotion targets) •Implement assured horizontal expansion of accident examples of the Group and other companies
	4) Review and reorganize operation manuals and ensure strict compliance	•Strengthened hazardous work management and maintained manuals	◎	•Reflect “Review non-routine work and operational safety measures” into manuals
	5) Work risk assessment and preventive measures	•Implemented work risk assessment based on plans	○	•Extract risk, enhanced and upgrade details of measures •List predicted risks at time of non-routine work and overhaul safety measures •Identify hazardous work risks due to difficulty to improve facilities and strengthen monitoring frameworks of relevant works
	6) Construction and non-routine work safety measures	•Clarified work instructions and procedures and implemented hazard prediction activities •Applied thorough construction rules •Created and made thorough of confirmation method of pre-operation, work completion and recovery	○	•Clarify work instructions and procedures and implement hazard prediction activities •Apply thorough construction rules •Create and made thorough of confirmation method of pre-operation, work completion and recovery
	7) Training and drill promotion	•Implemented education and training based on plans •Promoted acquisition of qualifications •Implemented rule and principle education to ensure process safety	○	•Plan promotion of education and training •Promote acquisition of qualifications
	8) Ensuring subcontracting safety	•Implemented review of safety cooperative structure with subcontractors •Implemented review and provided safety operation procedures manuals, harmful and hazardous information (SDS)	○	•Review of safety cooperative structure with subcontractors •Review and provide safety operation procedures manuals, harmful and hazardous information (SDS)
Occupational health	1) Create and maintain comfortable workplace environment	•Implemented working environment measurements and promoted creation of appropriate working environments •Thorough implementation of chemical substance handling education and strict wearing of personal protective equipment •Promoted workplace communication	◎	•Promote working environment measurements and creation of appropriate working environments •Thorough implementation of chemical substance handling education and strict wearing of personal protective equipment •Correspond to revisions to Industrial Safety and Health Act •Promote workplace communication
	2) Promote physical and mental health wellbeing	•Implemented follow-up and utilizing medical examination results •Compliance with additional inspection criteria due to regulatory amendments •Promoted health promotion program •Promoted mental health well-being programs	○	•Follow-up and utilizing medical examination results •Compliance with additional inspection criteria due to regulatory amendments •Promote health promotion program •Promote mental health well-being programs

Formulate thoroughgoing safety measures and strive daily education and training

The Shin-Etsu Group is creating the Shin-Etsu Group safety and Environment Management Policy, which reflects our 'Safety and Environment First' management protocol. In addition, all Plants and Group companies shall, under this basic policy that has been created in response to the Group key principles, endeavor to maintain and enhance occupational safety and health by creating, executing, evaluating, and reviewing our safety and health action plans.

Safety and Health

In order to prevent workplace accidents before they occur, the Shin-Etsu Group performs risk assessment activities aimed at identifying various latent workplace risks, improving work safety by reducing and eliminating risks.

We review and maintain our information, technology and management practices pertaining to occupational safety and ensure that all relevant working personnel have a thorough and detailed understanding. In addition, we have also begun training successors and constructing systems to pass these practices on to the next generation.

We implement countermeasures for unsafe locations by utilizing close-calls incidents corrected regularly by workers. At the same time we share these informations both on a company internal basis and with outside parties by disclosure.

We are also focused on implementing safety measures, such as pre-work hazard prediction activities and pointing-and-calling safety procedures,

work manual creation and usage, and the like, and performing regular working environment measurements with the aim of improving the working environment.

Process Safety and Prevention Plan

The Shin-Etsu Group gives top priority to preventing serious accidents before they happen. With this aim in mind, we continually engage in various process safety and prevention plan activities, to ensure process safety and the reliability of facilities.

From fiscal 2013 we have worked to enhance voluntary safety management by performing risk evaluations, particularly of envisaged plant abnormal conditions, and by implementing effective safety measures.

Since fiscal 2012, we have been a supporting member of the Japan Safety Competency Center of the Japan Society for Safety Engineering's authorized NPO. From fiscal 2013, we have been using the Safety Evaluation System designed by the Center for use in evaluating plant safety systems and technologies, safety organizations, safety culture, and we have also been evaluating the safety of each Plant. In fiscal 2014, we evaluated the safety of Shin-Etsu Chemical Co., Ltd.'s Gunma Complex. From here onwards also, this system will also be used to perform evaluations of other Plants. We are taking steps to further improve process safety and prevention capabilities by systematically improving all plant safety issues, defined as all items which needed to be addressed, as well as those with low evaluation scores.

Education and Training

To continue maintaining the stable and safe operation of our plants, it is important to improve the technical skills, knowledge and awareness of our individual employees. For this reason, we are putting our efforts into systematically implementing all types of education and training, such as chemical substance handling and hands-on risk education to ensure the complete succession of our manufacturing facilities operational know-how.

In addition, we are also working to foster our safety culture through creating a compliance-oriented working environment.

Environmental Control and Safety Audits

To check that activities directed at environmental conservation, occupational health and safety, and process safety and prevention plan are implemented to best effect at each Shin-Etsu Group plants, comprehensive environmental safety audits, and special audits on selected themes are carried out annually.

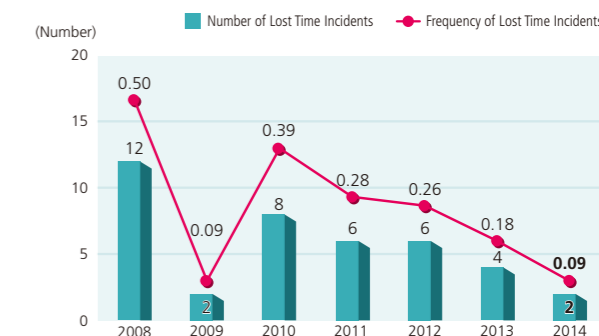
In the fiscal 2014 audit, we confirmed the implementation status of the internal circulars: *Thorough Management of Plant Safety and Non-routine Work Safety Measures*, reporting incidents taken from other companies.

Accident and Disaster Reporting

In fiscal 2014 there were two lost time incidents in Group companies. A cause analysis was performed in each case. Countermeasures focusing on reviewing the risks of substance handling eliminating hazardous operations and providing safeguards were implemented, work manuals were prepared, and recurrence prevention measures were implemented.

Furthermore, we will continue to make sure that these decisions are closely observed, and to prevent the occurrence of work-related accidents.

Number of Lost Time Incidents and changes in frequency rates (Group companies in Japan)



Awarded an encouragement prize of the Minister of Health, Labour and Welfare as excellent factory at health and safety

Akihiko Sugama

Plant Manager of Koriyama Plant
Shin-Etsu Quartz Products Co., Ltd.

Hiroo Kawaguchi

General Manager of Plant General Manager's Office, Koriyama Plant
Shin-Etsu Quartz Products Co., Ltd.

In June 2014, Shin-Etsu Quartz Products Co., Ltd., Koriyama Plant was awarded an encouragement prize of the Minister of Health, Labour and Welfare as excellent plant at health and safety. This Plant was appraised for its planned education through its efforts in training and skills enhancement and, as a result of active development of its occupational safety and health management system, no incidents accompanied by lost work time have occurred for a number years.

In 2013 also, the Plant received the Fukushima Labour Bureau Director's Award and subsequently received the award also on this occasion. From here onwards also, all employees shall, without letting down their guard, carry on with their duties by being mindful of their Plant's Occupational Safety and Health.



Implementation of Public Emergency Drills

Qiao Jun Yang

General Manager of Environmental and Safety Department, Shin-Etsu (Jiangsu) Optical Preform Co., Ltd.

In April 2014, public emergency drill was conducted in Jiangyin Harbor Economic Development District of Jiangsu Province in China on the assumption of a significant hydrogen leak. In China, the explosion accident occurred caused by a crude oil leak from a damaged pipeline in 2013. In reaction to this, the Jiangyin government nominated us to conduct this drill as a company that has a hydrogen gas pipeline. Although the preparation was hard work such as creating scenarios, tabletop exercises, and on-site rehearsals, etc., it confirmed our role at the time of an emergency and proved to be a valuable and rewarding experience. We will continue to put safety first in our operations and conduct regular ongoing training.

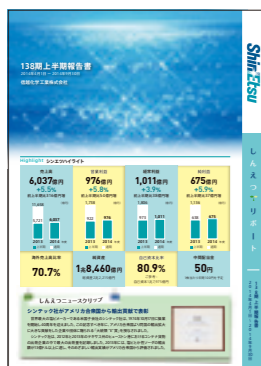


Shareholders and Investors

We have numerous dialogues with shareholders and investors

Information Disclosure

The Shin-Etsu Group believes the appropriate and timely disclosure of corporate information to shareholders and investors is a way to encourage understanding of the Company, and also leads to reasonable evaluations by the market. We therefore implement fair and transparent disclosure by posting information on the Company's website and announcing it to stock exchanges and news media. We also publish the Annual Report and other reports for shareholders.



Shin-Etsu Report



Annual Report

Profit-sharing Policy

The Shin-Etsu Group works to expand business profit and enhance our corporate quality from a long-term viewpoint. We distribute dividends based on our standard of sharing the fruits of these management endeavors to shareholders in a suitable manner. In addition, financial reserves are appropriated for capital investments, research and development, and other types of investment. We proactively use these reserves to strengthen our global competitiveness and for future business developments, with the goal of further improving our corporate value.

Our annual dividends in fiscal 2014 (April 2014 to March 2015) were ¥100 per share.

Communication

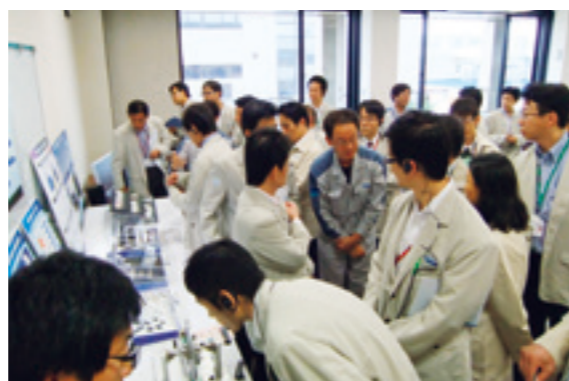
General Shareholders' Meeting

Shin-Etsu Chemical holds a General Shareholders' Meeting once per year according to its articles of incorporation. To ensure that shareholders can fully consider the agenda items, we send notices on the convention of these meetings at an early stage. The convention notices, as well as English-language translations, are also posted to the Company's website for the greater convenience of shareholders.

At the General Shareholders' Meetings we report on financial results, vote on agenda items, and respond to various questions from shareholders.

Other types of communication

We hold quarterly conference calls and meetings on financial results for analysts and institutional investors. In addition, we also accommodate one-on-one meeting requests from domestic and international analysts and institutional investors as occasion calls. The Company's management proactively attends conferences organized by securities companies and take part in Q&A sessions with participants. In these and other ways, we promote to deepen their understanding of the Shin-Etsu Group through direct dialogues.



Shin-Etsu Chemical Co., Ltd., Takefu plant tour for institutional investors and analysts (June 2014).

Customers

The Shin-Etsu Group is entrusted with the safety use of our products from our customers

Quality Control

Quality control system

Each Shin-Etsu Chemical's division and/or Group company with a sense of strong responsibility supplies products and services that can be used by our customers in peace of mind over a prolonged period and give a sense of satisfaction when they are used. So that we can supply reliable products and services that generate high degree of customer satisfaction, each of our plants has its own quality control policy. At the same time, by implementing the Plan-Do-Check-Act (PDCA) cycle, we work to raise the effectiveness of the quality control system, enhance product quality, and improve service.

Requests and suggestions from customers are reported immediately by points of contact such as the sales departments that are in direct contact with customers to the R&D Department, Quality Assurance Department, and Manufacturing Department. This information is incorporated into new product research and development and is used to improve existing products. In this way, we have created a system to reinforce our relationships of trust with our customers.

Almost all Shin-Etsu Group manufacturing plants, both domestic and overseas, have obtained certification of the quality control systems such as ISO 9001 and ISO/TS 16949.

Response to complaints

Shin-Etsu makes it an absolute rule to make an initial response to all quality complaints from customers within 48 hours of receipt.

In regards to complaints, each division independently responds to the customers' complaints through the investigation and determination of the causes and the preventive action for recurrence.

In particular, the recall and product liability problem that have a social impact is defined as a critical quality claim and given special priority to be distinguished from other claims. When a serious claim occurs, it is immediately reported to the top management so that a company-wide response can be implemented.

Quality audits and support

To achieve the zero quality problem, the claim and complaint information from the customers are closely examined. Furthermore, quality audits are carried out periodically for the improvement of quality and customer service. Quality audits evaluate the quality activity of each section from the customers' viewpoint and the viewpoint of quality cost in order to reinforce the weak point of the quality control system. The system for the recurrence prevention of claim complaints is established by focusing on evaluating the past claims and investigating the root cause of the quality issue.

The PDCA cycle is applied to problems pointed out on quality audit for improvement and follow-up. The Six Sigma program¹ is also deployed on company-wide as activity for the improvement in a quality control.

¹ Six Sigma program

Quality improvement method developed by Motorola in the 1980s. Focused on processes where quality variation appears, it is designed to minimize variation within the processes and thereby reduce the incidence of quality defects. This approach has been adopted across the Shin-Etsu Group.

15th accomplishment briefing session of Shin-Etsu Six Sigma Program

Since 2000, the Shin-Etsu Group has been developing our Six Sigma Program focusing on each of our production bases. In February 2015, we held the 15th accomplishment briefing session of Shin-Etsu Six Sigma Program with attendance of our directors in charge of technical and environmental and safety. At this session, reports on activities pertaining to quality improvement, productivity improvement and reducing logistics costs were presented.

Shin-Etsu Six Sigma Program is also linked to enhancing our customers' degree of satisfaction. We will be promoting these activities and using them at our manufacturing sites.



Product Safety Promotion

FMEA¹ and other analyses are carried out at every process from product development to product commercialization to identify potential issues for system performance and/or product safety. Quantitative analysis is undertaken to evaluate issues identified in order to improve product design and manufacturing processes.

We provide SDS² for each product to customers. Customers are encouraged to take appropriate safety precautions for understanding hazardous and harmful characteristics of the product, undertaking all required legal procedures whenever necessary, installing safety systems and/or pollutant treatment facilities, and wearing protective gear.

As a safety measure during transportation, we issue a Yellow Card³ and/or Container Yellow Cards⁴ that are affixed to containers. Moreover, we post warnings about potential hazards and harm according to the GHS⁵ method.

Within Japan, the Shin-Etsu Group implements appropriate management in the research and development stage by confirming the safety of new chemical substances and submitting manufacturing permit applications in accordance with the requirements of the Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc. and other applicable legislation such as the Industrial Safety and Health Act. The Shin-Etsu Group conforms to the REACH⁶ and is working to comply strictly with the appropriate transmission of information along the supply chain and other aspects of the regulation. The Shin-Etsu Group is also committed to developing new manufacturing technologies designed to totally eliminate the use of specified toxic substances in conformance with the RoHS Directive⁷.

- 1 FMEA (Failure Mode and Effects Analysis)
Systematic method to identify and prevent problems before they occur in regards to products and processes.
- 2 SDS (Safety Data Sheet)
SDS stands for Safety Data Sheet, which lists the physical and chemical properties of the chemical substance together with harmfulness and emergency response procedures. Designed to promote safer use of chemical substances and prevent accidents and incidents, SDS are supplied by manufacturers, importers and distributors to customers at the point of sales or shipment.
- 3 Yellow Cards
The yellow cards on which all relevant information on treatment required in case of an accident during transportation of chemical substances is described. The cards are handed to the transport contractor to be brought by tanker lorry or other means at the time of transportation.
- 4 Container Yellow Cards
The standard yellow card system is not suitable for use with mixed cargoes and small-lot deliveries. Instead, each container carries a label displaying safety information such as UN number of chemical name and emergency response procedure number.
- 5 GHS (Globally Harmonized System of Classification and Labeling of Chemicals)
Internationally standardized system of classification and labeling of chemicals.
- 6 REACH (Registration, Evaluation, Authorization, and Restriction of Chemicals)
EU regulation on the registration, evaluation, authorization, and restriction of chemicals.
- 7 RoHS (Restriction of the Use of Certain Hazardous Substances) Directive
EU directive on restricting the use of certain hazardous substances in electrical and electronic equipment.

Business Partners

The Shin-Etsu Group is committed to equitable procurement practices and to incorporating environmental considerations into the supply chain

Basic Procurement Policy

A Basic Procurement Policy has been formulated for the purchasing of supplies needed for production activities, including raw materials, sub materials including transportation packaging, and machinery and equipment. This policy is ensured in the Group and posted on the website. Business partners are expected to understand the Basic Procurement Policy and asked to incorporate the content of the Policy into their supply contracts.

Compliance with the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors

For all business partners subject to the provisions of the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors, the Shin-Etsu Group makes periodical checks in combination with reporting of new transactions to ensure full compliance. In addition, staffs in charge of purchasing and procurement frequently attend external seminars and internal training sessions to discuss specific examples of conduct. In this way, the Company works to boost awareness of compliance with the Subcontractors Act.

In addition, the Company requests that business partners who supply raw materials comply thoroughly with the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors.

Initiatives Aimed at Eliminating the Use of Conflict Minerals

In our Basic Procurement Policy, we have declared our dedication to eliminating conflict minerals¹ from all product procurement. We ask that all business partners adhere to this policy, and we regularly perform studies of pertinent minerals, tracking their production all the way back to the smeltery level.

¹ Conflict minerals
Minerals used to fund conflicts between the Democratic Republic of the Congo and its neighbor countries. These conflict minerals are tantalum, tin, gold, tungsten, and their derivatives.

Procurement Audit

Before and after transactions, the business partner is asked to complete a procurement audit checklist, the results of which are used for evaluation. Additionally, we visit business partners in Japan and overseas whenever necessary to carry out audits.

Business Continuity Initiatives

The Shin-Etsu Group has formulated a Business Continuity Plan and is prepared for contingencies. We would like business partners to understand the effectiveness and practicality of the Group's Business Continuity Plan and draw up a business continuity plan of their own.

Control of Chemical Substances Used as Raw Materials

The Shin-Etsu Group checks the ISO 14001 status of business partners and considers preferential business transactions with business partners that have ISO certification so as to purchase materials of lower environmental impact.

When contracting specifications on supply of raw materials, we investigate the business partner's use of chemical substances with environmental impact in products and packaging, their environmental management systems, their handling of prohibited substances as stipulated in the RoHS Directive, and their Green Partner certification status.

In addition, we also comply with REACH regulation registration.

Local Communities

We maintain communication with local communities

Hosting of the 4th Great East Japan Earthquake Disaster Relief Marché

Japan

In March 2015, the 4th Great East Japan Earthquake Disaster Relief Marché was held at Asahi Seimei Ohtemachi Building where the Shin-Etsu Chemical Head Office is. In cooperation with Shin-Etsu Chemical and Shin-Etsu Handotai Co., Ltd., special regional produce and Sake from Fukushima, Iwate, and Miyagi prefectures were sold in support of disaster relief as the opportunity presented itself in Tokyo.



Holding of Cultural Lecture Meeting

Japan

In October 2014, the public benefit trust Shin-Etsu Chemical Regional Culture Promotion Fund, which was set up on the 60th anniversary of Shin-Etsu Chemical's establishment, hosted its annual cultural lecture meeting by inviting the entertainer and *rakugo* storyteller Mr. Yonesuke. Mr. Yonesuke spoke boldly about the importance of passing on Japanese culture including eating and drew a lot of laughter with his light and wit narrative skills as only a *rakugo* storyteller can.



Winners of the "Ministry of Health, Labour and Welfare Commendation" for promoting blood donation

Japan

Each company within the Shin-Etsu Group regularly donates blood as a part of making a contribution to society. For many years, Shin-Etsu Handotai Co., Ltd., Shirakawa Plant has been appraised for its active cooperation in promoting blood donation to the Fukushima Prefecture Red Cross Blood Center. In July 2014, the Shirakawa Plant received the Ministry of Health, Labour and Welfare's Commendation at the 50th National Blood Drive Convention.



Cooperating with NPO Science Communication's experience classrooms

Japan

Shin-Etsu Chemical Silicone Division cooperated in experience classrooms sponsored by NPO Science Communication. In these classrooms, participating elementary school children and their parents experienced molding their own fingers out of using RTV silicone rubber for moldmaking. Not only did the participants gain an interest in silicones, but we were also able to convey a familiarization of science.



Regional Responsible Care program agencies and projects

Portugal

In 2014, CIRES participated in the PACOPAR¹, which donated €45,000 in grants to 12 local organizations in the city of Estarreja.

These grants have been put to good use in developing social welfare infrastructures and have contributed to the social support of Estarreja city and protecting the safety of its citizens.



¹ PACOPAR (Painel Consultivo Comunitário do Programa Atuação Responsável) Regional Advisory Panel of Estarreja city's Responsible Care Program.

Contributions to local communities on the 10th anniversary of the start up of operation

Germany and Thailand

In 2014, three overseas Group companies celebrated their 10th anniversary of operation by conducting various regional contribution activities as a part of their business anniversary.

At Germany's SE Tylose GmbH & Co. KG, employees donated the money collected from selling reusable empty containers and scrap metal to a nearby school and charitable organizations who donate meals to people in need. Through this donation, the school was able to build a long-awaited library. In addition, those in need are now able to receive food distributions several times per month.



Communication with local communities
<http://www.shinetsu.co.jp/en/company/society.html>

Asia Silicones Monomer Co., Ltd. and Shin-Etsu Silicones (Thailand) Limited renovated aging multipurpose building belonging to local schools for about a month. This renovated building is earmarked to be put to use not only for the children of these schools, but also for a wide spectrum of local uses such as holding meetings, elections, and wedding ceremonies, etc.

Donating our products to the Republic of Malawi

Malawi

Through Millennium Promise Japan (MPJ), a non-profit organization, Shin-Etsu Chemical has donated eco-bags made of our PVC and "Shupua" glasses made of our silicone to the people of Malawi. Shin-Etsu Chemical is also supporting the activities of MPJ in its commitment to reduce poverty, improve education, promote gender equality, and support self-reliance in Africa.



Fundraising for U.N. World Refugee Day

Japan

In 2014 also, we conducted fundraising activities in conjunction with World Refugee Day as designated by the U.N. on June 20th. The fund raised by the Shin-Etsu Chemical Head Office, Plants and the Group companies is entrusted to the Japan for UNHCR where it is put to use in supporting refugees around the world who continue to increase in number each year. In addition, on this occasion, our Company matched the contributions donated.



Employees

We support the self-fulfillment of our employees

The Shin-Etsu Group respects human rights and implements a variety of approaches to create workplaces that are conducive to work, and where each employee is healthy, fulfills his or her potential, and can build a career.

Respect for Human Rights

Human Rights Enlightenment Promotion Committee
The Shin-Etsu Group, from its position as a corporation, organized the Human Rights Enlightenment Promotion Committee with the aim of tackling various human rights issues and creating cheerful workplaces where people are inspired to work. This committee holds regular human rights enlightenment training for directors and employees. Furthermore, the Committee promote to raising human rights awareness by serialization of human rights Q&A in our internal publications and by inviting human rights awareness slogans in conjunction with the Human Rights Week in December.

In addition, Shin-Etsu belongs to both the Industrial Federation for Human Rights, Tokyo, and the Industrial Federation for Anti-Discrimination, Osaka. Our employees participate proactively in events held by both federations, as well as training sessions put on by other organizations.

Efforts to abolish child labor and forced labor
The Shin-Etsu group conforms to international guidelines, and does not approve of child labor or forced labor of any type. We conduct a survey of Group companies, including overseas companies, each year. Through this survey, we confirm that our employment conditions are based on the international labor standards of the International Labour Organization (ILO) and that no child or forced labor is taking place.

Respect for Diversity

Childcare and nursing care systems
The Shin-Etsu Group offers a full range of systems to support employees who give birth to and are raising children. Our childcare leave system can be used by employees until their children have reached the age of three, and many employees take advantage of the

system. Meanwhile, the shorter working hours system allows employees with children up to grade three of elementary school to shorten their working hours by up to two hours a day.

As for nursing care leave, under certain conditions, employees can take up to one year of leave per eligible family member. Three employees working within the consolidated companies in Japan took advantage of the system in fiscal 2014. Furthermore, from fiscal 2014 we began providing our 'Healthcare and Day Care Support' service for supporting the care of our employees.

Number of Employees Who have Taken Childcare Leave (Fiscal 2014)

Shin-Etsu Chemical Co., Ltd.	10 (Male: 2; Female 8)
Consolidated companies in Japan	47 (Male: 3; Female 44)
Consolidated companies total ¹	142 (Male: 56; Female 86)

¹ The length of childcare leave differs from country to country, as the program is based on local law.



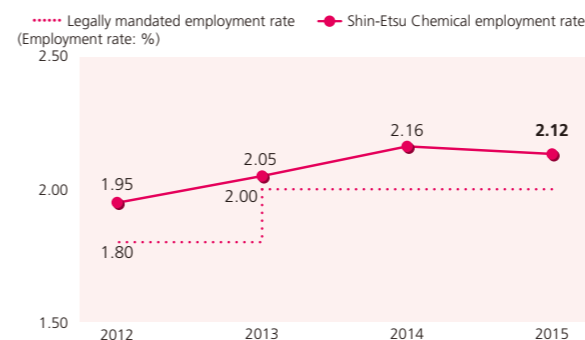
Voluntarily Mother's Lunch Meetings in our Head Office

Promoting active roles by diverse human resources
As a group engaged in business operations around the world, the Shin-Etsu Group carries out employment at overseas Group companies and also promote to employ foreign nationals in Japan.

The entire Group is also working to proactively employ disabled persons and create environments where it is easy for them to work. Our level of employment of disabled persons exceeds legally mandated levels.

We have created the Internal Re-Employment Program for employees who have reached the retirement age of 60 years, which allows them to be re-employed until age 65.

Employment Rate of Persons with Disabilities



Overseas Group company wins award for providing employment to people with disabilities

Shin-Etsu Handotai America, Inc. was awarded as large private-sector employer of persons the year for employing people with disabilities by the Greater Vancouver Chamber of Commerce and the Clark County Developmental Disabilities Advisory Board. The company's ongoing annual employment of approximately 23 supported employees over a period of twenty-five years has led to the receiving of this award.

In addition, Tim Lee (center in the photo), who works in the company warehouse, was awarded Supported Employee of the Year for his excellent job performance.



Performance-based Personnel Evaluation Systems and Equal Opportunities

We have introduced a personnel system that places importance on employee ability and work performance. This system proves useful for increasing employees' motivation, as their treatment reflects their performance, attitude, and evaluations of how they meet their challenges to achieve higher goals.

To operate the personnel system in a fair and appropriate manner, evaluation training is provided for all managers who conduct performance review so that they can carry out personnel evaluations in a fair way. To further increase transparency, evaluation standards are made available and the results are also disclosed. Furthermore, a system of interviews between the both parties has been established to ensure that the two parties can communicate successfully.

During interviews, each staff member and his/ her immediate superior use Communication Sheets to ensure mutual awareness of the superior's expectations regarding what he/she would like the subordinate to accomplish, as well as what challenges the subordinate would like to take on. The interviews are also an opportunity to set targets for the next six months and to provide feedback on progress, and serve in this way to promote further development of abilities.

Health Considerations

Employee health programs
To decrease staff sickness, we are working to offer a fulfilling regular health consultation service, provide health guidance for lifestyle-related diseases, take measures to ensure mental health, and focus on activities that promote fitness and develop physical strength.

We have also established Health Committees at our head office and branch offices, as well as Safety and Health Committees at each plant district. These committees undertake activities while receiving information and guidance—including about measures to improve the work environment and prevent damage to health—from industrial physicians.

In addition, our Fitness and Physical Strength Development Promotion Committees work together with Medical Treatment Rooms to organize physical strength monitoring, and to hold seminars and events for physical strength improvement. To provide health support to include employees' families, the corporate health insurance society cooperates with expert organizations to provide the 24-hour Family Health Consultation Desk.



Education/Training and Personal Development

Auditing student system

In 1962, we established an auditing student system with the goal of improving workplace cohesion. Under the system, up to about ten employees each year are chosen from plant manufacturing sites and sent to study at universities for one year. In the 52 years since the system was introduced, a total of 516 employees have completed the program and are now functioning in various workplaces.

Training for international adaptation

The Shin-Etsu Group is expanding its business activities throughout the world. Competency to communicate in foreign languages is therefore an essential skill for smooth operations. To this end, the Group provides English language training to teach meeting and presentation skills and offers intercultural communication training to promote understanding of cultural differences commonly encountered overseas. Chinese conversation classes are also held.

Welfare and Benefits

Accumulated holidays

A certain number of annual paid holidays are granted in accordance with labor regulations. If those annual paid holidays are not taken, a certain number can be treated as accumulated holidays, which are then carried over to the next year and may be utilized as family-care leave days or as days off for injury or illness. Employees may also use these holidays to volunteer in disaster areas or serve as donors for organ or bone marrow transplants.

Employee Hotline

As a counseling service for trouble with work or other issues, we have set up Dial Shin-Etsu, which is staffed by experienced and qualified specialist counselors from outside of the Company. Consultations are received anonymously and treated with strict confidentiality, but if requested the counselor will contact the Personnel Department to discuss possible solutions.

Shinkansen commuting benefits

Since 1989, Shin-Etsu has allowed commuting by Shinkansen at company expense. This option has allowed more employees to own houses and enables

personnel who are reassigned to headquarters from plants and other business sites in Gunma and Fukushima prefectures to transfer jobs without changing their lifestyles. As of March 2015, 73 employees were taking advantage of this Company offer.

Other systems

The BAKER-KANAGAWA Japan-U.S. scholarship program was established for children of Shin-Etsu Group employees by Mr. Robert Baker, founder and the first president of Dow Chemical Japan Ltd. and a former chairman of the American Chamber of Commerce in Japan, and Mr. Chihiro Kanagawa, chairman of Shin-Etsu Chemical.

In recent years, the Dr. Kanagawa Japanese Friendship Scholarship has been established for a one-year study program at Clark College in Washington, USA. This has been created from a friendly relationship between the College and Mr. Kanagawa that has been built over many years.

In addition, we have established asset-building schemes, a shareholding system, and a mutual aid society to provide support for weddings, childbirth, and sudden hospitalization of family members.

Labor-management Relations

Shin-Etsu Chemical engages in various dialogs with the Shin-Etsu Chemical Labor Union to promote mutual understanding between labor and management. Meetings of the Central Staff Council are held once a month at the head office and are attended by senior management themselves, who engage in discussions with staff regarding subjects such as management policy, outline information about individual businesses, and the personnel system. Furthermore, each business site holds a monthly Local Labor Meeting with the local branch of the Shin-Etsu Chemical Labor Union.

Repeated dialogs and discussions between labor and management deepen mutual understanding and trust and facilitate business operations in which staff and management can come together to present speedy responses to the changing business environment.

Clark College Overseas Study Experiences

Jun Kikuchi

(son of Shigeko Kikuchi, Shin-Etsu Handotai Co., Ltd., Shirakawa Plant)

From September 2013, for about one year, through taking advantage of the Dr. Kanagawa Japanese Friendship Scholarship, I studied abroad at Clark College in America. Throughout my homestay and student life, with each passing day, my understanding of English language and culture, and the differences in lifestyle habits deepened as my interest in fresh different cultures grew stronger. In addition, it was also a valuable experience in terms of being able to meet people of different nationalities in America.

Studying abroad and being able to actually see, touch and hear was a great learning experience more so than I initially thought it would be. In today's trend of globalization, I am confident that this experience will be an irreplaceable asset in my future life.



The fourth person from the right at the back is Jun Kikuchi

¹ QC Quality Control. Or, activities in manufacturing industry that encourage employees to make proactive contributions to workplace management and improvement, leading to improvements in quality.

Training system

	Training for different staff grades	Specialized education	General education	Special education	Environment and safety education	Quality control education	Six Sigma education					
General manager level	Advanced management training S/M job family training	<ul style="list-style-type: none"> Patent training Training for adaptation to internationalization English language training, meeting skills course I/II English language training, presentation skills course I/II Chinese conversation classes Intercultural communication training 	Mental health seminars Human rights awareness training	Auditing student system (1 year)	Specialized education in environmental control and safety	QC ¹ master course	Black belt training					
Section manager level	Middle management training							Course for management development training (external training)	Supervisor education	QC intermediate course		
Junior manager level	Line management training Staff management training Leader training							Job family change training	New recruit education	Safety education	QC basic course	Green belt training
Regular employees	Junior leader training New employee second-phase training New employee induction training									Special education Basic education		

History of Activities

Measures taken by the Shin-Etsu Group		Awards in the Fields of Safety, the Environment and Industrial Health	
1926	Founded as Shin-Etsu Nitrogen Fertilizer Co., Ltd. (name changed to Shin-Etsu Chemical Co., Ltd. in 1940)	1926	
2005	Corporate Social Responsibility (CSR) Promotion Committee established	2005	Excellent Prize of Minister of Health, Labour and Welfare as excellent plant at health and safety (Shin-Etsu Chemical/Kashima)
2005	Installation of cellulose wastewater recovery system (Shin-Etsu Chemical/Naoetsu)	2006	Excellent Prize of Director of Niigata Prefecture Labour Standards Bureau as excellent plant at health (Naoetsu Precision)
2005	Environmental Charter revised	2006	5th Class Lost Time Incident-free Certificate (Shin-Etsu Film: disaster-free record maintained to date)
2005	Co-generation system further expanded (Shin-Etsu Chemical/Kashima)	2007	Excellent Prize of Director General of Nagano Labour Bureau (Nagano Electronics)
2006	Hydrochloric acid recovery system installed on silica production line (Shin-Etsu Chemical/Gunma)	2007	Encouragement Prize of Director General of Nagano Labor Bureau (Shinano Polymer)
2006	Signed the Responsible Care Global Charter	2007	Thai Ministry of Labour and Social Welfare EHS Outstanding Factory Award (Asia Silicones Monomer)
2006	Fuel for boiler system switched (Nagano Electronics/Chikuma)	2008	Excellent Prize of Director General Prize of Fukui Prefecture Labour Bureau as excellent plant at industrial health and safety (Fukui Shin-Etsu Quartz)
2007	Installation of system to reduce steam usage by improvement of distillation process (Shin-Etsu Chemical/Kashima)	2008	Thai Ministry of Labour and Social Welfare EHS Outstanding Factory Award (Asia Silicones Monomer)
2008	Installation of natural gas fuel conversion system (Shin-Etsu Chemical/Gunma)	2009	Special award from Thai Ministry of Labour and Social Welfare for one million consecutive hours of Lost-Time Incident-free operation (Shin-Etsu Silicones Thailand)
2008	Augmentation of wastewater biological treatment system (Shin-Etsu Chemical/Gunma)	2009	Minister Prize of Economic, Trade and Industry as excellent plant at high-pressure gas safety (Shin-Etsu Handotai/Takefu)
2008	Installation of thermal recovery system for distillation column (Japan Yam & Poval)	2009	Minister Prize of Economic, Trade and Industry as excellent plant at high-pressure gas production (Kashima Vinyl Chloride Monomer)
2008	Installation of gas turbines (Shin-Etsu Chemical/Gunma)	2009	Thai Ministry of Labour and Social Welfare EHS Outstanding Factory Award (Asia Silicones Monomer)
2008	Fuel conversion of boiler (Tatsuno Chemical Industries)	2010	Encouragement Prize of Director General of Saitama Labor Bureau (Urawa Polymer)
2008	Installation of LNG-fueled through-flow boiler (Nissin Chemical Industry)	2010	Chairperson Prize of Committee for Promotion of Electricity Utilization in Seven Tohoku Prefectures (Shin-Etsu Quartz Products/Koriyama)
2008	Thermal recovery system installed on silica production line (Shin-Etsu Chemical/Gunma)	2010	Excellent Prize of Niigata Prefecture as excellent plant at environmental preservation (Naoetsu Precision)
2009	Installation of high-efficiency turbo refrigerator (Shin-Etsu Handotai/Isohe)	2010	Director General Prize of Nuclear and Industrial Safety Agency as excellent plant at high-pressure gas safety (Nissin Chemical Industry)
2009	Installation of air conditioning system using process based on free cooling (Shin-Etsu Handotai/Takefu)	2010	Thai Ministry of Labour and Social Welfare EHS Outstanding Factory Award (Asia Silicones Monomer)
2010	Fuel conversion of boiler system (Nagano Electronics)	2010	500,000 Lost Time Incident-free Hours Award, State of Ohio (Shin-Etsu Silicones of America)
2010	Installation of inverter turbo refrigerator (Nagano Electronics)	2010	Occupational Excellence Achievement Award, National Safety Council (US) (Shintech)
2010	Participation to UN Global Compact	2011	Thai Ministry of Labour and Social Welfare EHS Outstanding Factory Award (Asia Silicones Monomer)
2010	Installation of oil clarification system (Shin-Etsu Silicone Taiwan)	2012	Forty-Year Lost Time Incident-free Special Achievement Award, Japan Soda Industry Association (Shin-Etsu Chemical/Naoetsu)
2011	Thomson Reuters Top 100 Global Innovators Award (Shin-Etsu Chemical)	2012	Achieved 8.1 million Lost Time Incident-free hours, a 2nd class Lost Time Incident-free record (Shin-Etsu Chemical/Gunma)
2011	Gold Medal at the Korean Ministry of Knowledge Economy's National Quality Management Convention (Shin-Etsu Silicone Korea)	2012	Thai Ministry of Labour and Social Welfare EHS Outstanding Factory Award (Asia Silicones Monomer)
2011	Installation of electricity demand monitoring system (Shin-Etsu Chemical/Gunma)	2013	Achieved 5.4 million Lost Time Incident-free hours, a 1st class Lost Time Incident-free record (Shin-Etsu Chemical/Naoetsu)
2012	Thomson Reuters Top 100 Global Innovators Award won for second consecutive year (Shin-Etsu Chemical)	2013	Excellent Prize of Director General of Fukushima Prefecture Labor Bureau as excellent plant at safety measures (Shin-Etsu Quartz Products/Koriyama)
2012	Gold Medal at the Korean Ministry of Knowledge Economy's National Quality Management Convention (second consecutive year) (Shin-Etsu Silicone Korea)	2013	Encouragement Prize of Director General of Niigata Prefecture Labor Bureau as excellent plant at health management (Shin-Etsu Handotai/Saigata)
2012	Installation of multistage biological wastewater treatment equipment (Shin-Etsu Silicone/ Nantong)	2013	Governor Prize of Fukui Prefecture as recognition for promotion of traffic safety (Fukui Shin-Etsu Quartz)
2013	Thomson Reuters Top 100 Global Innovators Award won for third consecutive year (Shin-Etsu Chemical)	2013	Thai Ministry of Labour and Social Welfare EHS Outstanding Factory Award (Asia Silicones Monomer)
2013	Japan Investor Relations Association Best IR Award 2013 (Shin-Etsu Chemical)	2013	Special award from Thai Ministry of Labour and Social Welfare for 300,000 to 1 million consecutive hours of lost-time and incident-free operation (Shin-Etsu Silicones Thailand)
2013	Gold Medal at the Korean Ministry of Knowledge Economy's National Quality Management Convention (third consecutive year) (Shin-Etsu Silicone Korea)	2013	Awarding of Excellent Energy Conservation Factory & Building from Tohoku Bureau of Economy, Trade and Industry (Naoetsu Electronics)
2014	Thomson Reuters Top 100 Global Innovators Award won for fourth consecutive year (Shin-Etsu Chemical)	2013	12th Green Logistics Partnership Meeting Ministry of Land, Infrastructure, Transport and Tourism Deputy Vice-Minister for Logistics Award (Shin-Etsu Chemical)
2014	Signed the revised edition of the Responsible Care Global Charter	2014	Encouragement prize of Minister of Health, Labour and Welfare as excellence plant at health and safety (Shin-Etsu Quartz Products/Koriyama)
		2014	Director General Prize of Kanto Bureau of Economy, Trade and Industry as excellent plant at energy conservation (Naoetsu Electronics)

Membership Keidanren (Japan Business Federation)
Japan Chemical Industry Association
Vinyl Environmental Council


Plastic Waste Management Institute
The International Friendship Exchange Council
The Japan Committee for UNICEF

Global Compact Japan Network
Millennium Promise Japan etc.

As of March 31, 2015

 List of Shin-Etsu Group companies with ISO 14001 certification
<http://www.shinetsu.co.jp/en/company/csr.html#environment>

Responsible Care Audit of the Report



「環境・社会報告書 2015」
第三者検証 意見書

2015年5月29日

信越化学工業株式会社
代表取締役社長 森 俊三 殿

一般社団法人 日本化学工業協会
レスポンスブル・ケア検証センター長
高瀬純治

■検証の目的
本検証は、信越化学工業株式会社が作成した「環境・社会報告書2015」(以後、報告書と略す)に記載されている、下記の事項について、レスポンスブル・ケア検証センターが化学業界の専門家の意見を表明することを目的としています。

- 1) パフォーマンス指標(数値)の算出・集計方法の合理性及び数値の正確性
- 2) 数値以外の記載情報の正確性
- 3) レスポンスブル・ケア活動の評価
- 4) 報告書の特徴

■検証の手順
・本社において、各サイト(事業所、工場)から報告される数値の集計方法の合理性、数値の正確性、及び数値以外の記載情報の正確性について調査を行いました。調査は、報告書の内容について各業務責任者及び報告書作成責任者に質問すること、並びに彼らより資料提示・説明を受けることにより行いました。
・武生工場において、本社に報告する数値の算出方法の合理性、数値の正確性、及び数値以外の記載情報の正確性の調査を行いました。調査は、各業務責任者及び報告書作成責任者に質問すること、資料提示・説明を受けること、並びに現地での現物確認を含む証拠物件との照合により行いました。
・数値及び記載情報の調査についてはサンプリング手法を適用しました。

■意見

- 1) パフォーマンス指標(数値)の算出・集計方法の合理性及び数値の正確性について
・数値の算出・集計は、本社及び武生工場において調査した結果、合理的な方法を採用しています。
・調査した範囲に於いて、パフォーマンスの数値は正確に算出・集計されています。
- 2) 数値以外の記載情報の正確性について
・報告書に記載された情報は、正確であることを確認しました。原案段階では表現の適切性あるいは用語の整合性等に関し、若干問題があることを指摘しましたが、現報告書では修正されており、現在修正すべき重要な事項は認められません。
- 3) レスポンスブル・ケア(RC)活動の評価について
・信越グループ124社(国内189拠点、海外104拠点)を対象に、グローバルにRC活動を展開しています。また、集計システムを導入して、内外の非生産部門を含めたパフォーマンスデータを集計していることを評価します。
・信越化学は、他社の事故事例を詳細に分析し、信越グループの状況に対応した具体的な確認項目を作成したうえで、工場およびグループ各社に見直し点検を指示し、その結果をフォローアップして、事故防止に努めていることを評価します。
・2013年度に導入した安全工学会が主導する「保安力評価システム」を、2014年度は群馬事業所に水平展開しています。2工場で評価した知見を他の工場の保安力強化に活用されることを期待します。
・信越グループでは、世界的な水資源保全の重要性に鑑み、取水量単位の削減活動を進めて、2014年度は生産量が増加したにもかかわらず取水量の削減を実現していることを評価します。
・武生工場では、RC活動が着実に実施されています。また、住宅地に隣接した工場として、地域環境との調和を目指し、地域の環境活動への参加、地域住民との交流を継続していることを評価します。
- 4) 報告書の特徴について
・信越グループが、製品や技術を通じて、温室効果ガス削減、生態系保護、社会インフラの整備、高齢化社会など社会課題の解決に貢献していることを、特集記事で簡潔に紹介しています。

以上